DISPOSAL OF AGRICULTURAL SURPLUSES—COTTON

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON

AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTY-FOURTH CONGRESS

FIRST SESSION

ON

ADMINISTRATION OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954 AND OTHER ACTS RELATING TO THE DISPOSAL OF SURPLUS COTTON

PART I

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DISPOSAL OF AGRICULTURAL SURPLUSES—COTTON

FRIDAY, FEBRUARY 25, 1955

United States Senate,
Subcommittee on Disposal of Agricultural Surpluses
of the Committee on Agriculture and Forestry,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10:25 a. m., in room 324, Senate Office Building, Senator James O. Eastland, presiding.

Present: Senators Eastland, Holland, Scott, Young, and Schoeppel.

Senator Eastland. The subcommittee will come to order.

Will you take a seat and identify yourself, please.

STATEMENT OF EDWIN D. WHITE, DEPUTY DIRECTOR, OFFICE OF FOOD AND AGRICULTURE, FOREIGN OPERATIONS ADMINISTRATION

Mr. White. E. D. White, Deputy Director, Office of Food and Agriculture, Foreign Operations Administration.

Senator Eastland. Mr. White, how long have you been with the Government?

Mr. White. About 29 years.

Senator Eastland. Before you went with your present agency you were in the Department of Agriculture?

Mr. White. Yes, I was in the Department of Agriculture for about 25 years before I transferred to the Foreign Operations Administration, then the Mutual Security Agency.

Senator Eastland. What were your duties in Agriculture?

Mr. White. They were quite varied, but most of the time that I was there I worked on cotton problems. The last 5 years I was in the Department of Agriculture I was in the Office of the Secretary as Assistant to the Secretary of Agriculture, and it was my responsibility to help shape the policy of the Department of Agriculture in all respects on cotton.

Before than I served in various capacities, most of the time giving my attentiont to cotton problems—the production and marketing, export, research, extension—various ways.

Senator Eastland. What are your duties with the Mutual Security Agency? Or what do you call it now?

Mr. White. The Foreign Operations Administration.

As Deputy Director of the Office of Food and Agriculture one of my principal responsibilities is to direct the activities of our Administration in financing the export of surplus agricultural commodities; with funds provided by Congress under Public Law 665, the Mutual Security Act, and in associated activities with the Department of

State, the Department of Agriculture, and other departments in Government in the disposal of surplus agricultural commodities under Public Law 480.

Senator EASTLAND. Are you a member of the Francis Committee?

Mr. WHITE. I am an alternate member of the Francis Committee, and I am a regular member of the operating committee that operates under the Francis Committee.

Senator EASTLAND. What is the Francis Committee?

Mr. WHITE. The Francis Committee is a committee that was established by an Executive order of last year setting up within the Government an interdepartmental committee for the purpose of establishing policy with respect to operations under Public Law 480 and related legislation pertaining to the disposal of agricultural surpluses.

Senator EASTLAND. What is your operating committee?

Mr. WHITE. The operating committee is a committee under the Francis Committee, which is largely a policy committee. The operating committee is represented by essentially the same agencies as are represented on the policy committee, and the duties and responsibilities of the operating committee are to——

Senator EASTLAND. You carry out the policy as laid down by the Francis Committee; is that right?

Mr. WHITE. That is right.

Senator EASTLAND. Now, where there is, say, a program to Italy to sell farm products for lire, is the amount of each commodity and the commodity decided in the Francis Committee or in the operating committee?

Mr. WHITE. In the operating committee.

Senator EASTLAND. Then what does the policy committee determine, which countries are eligible?

Mr. WHITE. The policy committee deals largely with the objectives which are to be accomplished, the interpretation of the objectives of the act, the areas in the world to which they should be applied, the general scope of the operation, and the methods of negotiations.

Senator EASTLAND. Now, in wheat sales, in cotton sales, in sales of dairy products to a foreign country for its currency, the amount and the commodities sold are decided by the operating committee of which you are a member?

Mr. WHITE. Yes.

Senator EASTLAND. Do you deal in cotton and these commodities as a member of the FOA?

Mr. WHITE. We participate fully in the work of the committee.

Senator EASTLAND. All right. Now, I think, Mr. White, you know as much about world cotton conditions as any man in the Government. I think you have a wide background in other commodities and the way these acts are being administered.

I want to ask you to tell the committee what you think about the future of the American cotton-growing industry under the policies that we now follow. I want you to give us the history behind it as you see it.

Mr. WHITE. Well, I think it is important to understand the basic considerations that govern the actions that are taken by this country

and other countries in trying to supply the world requirement for cotton.

Senator EASTLAND. Let me ask you this question, put it in here, because I want to head Senator Holland off.

Are citrus fruits being sold under Public Law 480?

Mr. WHITE. They have not been sold thus far.

Senator EASTLAND. Why?

Mr. WHITE. They have not been declared a surplus commodity within the intentions or the purposes of this act.

Senator EASTLAND. Why?

Mr. WHITE. I think that could be answered more appropriately, Senator Eastland, by the department of the Government that has the primary responsibility for designating surplus.

Senator EASTLAND. That is Agriculture?

Mr. WHITE. That would be the Department of Agriculture. They could answer that better than the Foreign Operations Administration.

Senator EASTLAND. Has the State Department had anything to do with it to your knowledge?

Mr. WHITE. All the departments of Government have expressed a view as to the desirability of the inclusion of commodities or the exclusion of commodities under the act.

Senator EASTLAND. Can you tell us what the State Department's view is about the inclusion of citrus fruits?

Mr. WHITE. I notice here that they are going to be before this committee, and I think they could testify to their views better than I could. I don't know really how specific their views are.

Senator EASTLAND. Go ahead on cotton.

Mr. WHITE. The United States has the largest area of land adaptable to the production of cotton of any nation in the world, and so far as is known, it is about equal to that of all producing nations in the world.

Senator EASTLAND. You mean combined?

Mr. WHITE. Combined. The land resources in the United States are about as great for cotton production as for all other foreign nations combined, as is now known. The productivity of cotton in the United States is about 50 percent higher than the average productivity of all the rest of the world combined. The willingness on the part of the people to engage in cotton production in the United States stands out significantly and on the favorable side.

So with such a large production potential, such a high efficiency in production, and a willingness to produce, it makes it very important to understand the export problem and the interest of the producers of the United States in participating in the export market.

The trend over the past 20 years in cotton in the world can be characterized about as follows: World cotton acreage has stayed about the same. It has declined and then has recovered, but the world acreage today is about the same as it was 20 years ago. There has been a decline in the acreage in the United States of about 4 million acres. There has been a smaller decline in the rest of the free world, principally in India. And there has been an expansion in the acreage in the areas of the world dominated by the Communist governments.

So while the world total acreage is about the same as it was 20 years ago, the United States share is considerably less.

Senator EASTLAND. Well, it has slipped from about 66⅔ of the world export cotton business down to 29 percent, hasn't it?

Mr. WHITE. Over a period of about 30 years, that would be approximately correct.

The consumption of cotton in the world has increased 19 percent over the past 20 years, but it has not increased on a per capita basis. The increase in cotton consumption has been dependent almost wholly on the increase in world population. There has been a per capita increase in consumption in some countries, particularly in the United States and Canada, and to some extent in Africa, but there has been an offsetting reduction in Asia, and there has been no change in Western Europe. So that the average per capita consumption of 6.4 pounds has remained almost constant over the past 20 years.

Now, the increase in cotton consumption to meet increased population requirements has generally resulted in increases in production for uses in the country where the cotton was produced. That has had the significant result that the world trade in cotton has remained practically stationary over 20 years or 30 years.

World trade in cotton, expressed as exports of cotton from all countries in the free world, is stabilized and has been stabilized at between 11 and 12 million bales of cotton a year. Counting Communist areas, world trade in cotton is stabilized at between 12 and 13 million bales of cotton a year, and that has been stabilized for practically 40 years and shows no tendency toward change. It means that as world consumption rises, increases in world production are taking place in foreign countries, for consumption in those countries, and are not entering the channels of world commerce in the form of raw cotton.

Senator SCHOEPPEL. I don't want to break into your line of thought, it is most interesting, but I would like to ask one question here.

Does this situation you just referred to carry on through in World War II or in the Korean war? In other words, what has the forced draft of the war requirement done? Apparently it had no appreciable effect, then, did it?

Mr. WHITE. There have been some year-to-year fluctuations, but over a 5-year average the occurrence of the Korea war or the occurrence of a period of prosperity or a period of depression has not significantly affected world trade in cotton.

Senator SCHOEPPEL. I see.

Mr. WHITE. Cotton is a commodity that is sold entirely under a profit system in which the labor entering into it to make it usable increases the value of the product about 10 times. In that respect it is greatly different from the direct food consumption commodities such as wheat and sugar. Many governments stabilize bread prices and sugar prices for the purposes of maintaining cost of living, cost of food, at stabilized levels. But in a system of cotton merchandising there are no governments that have ever been able to devise ways and means of doing that, and that has recently been considered by 32 governments that associated together in the International Cotton Advisory Committee, the committee of which I have been the chairman for several years.

That committee has a status similar to the International Wheat Committee and the committee on sugar.

Senator YOUNG. Isn't it true that most if not all of the wheat producing nations of the world have established a rather high domestic price and a lower price for export trade?

Mr. WHITE. That is correct in the case of wheat.

Senator EASTLAND. Is that true in the case of cotton?

Mr. WHITE. That is not true in the case of cotton. Cotton sells on a world market freely for whatever the demand will support in the way of price.

The point that I was trying to make is that in the case of cotton it is a marketing system established on a private basis, and the amount that can move into consumption is based on the buying power in the hand of the consumer. There are no government programs in effect specifically aimed at helping move cotton into consumption.

In that respect, and because of the fact that the value of the goods to the consumer is about 10 times the price and value of the raw product, that has made it a commodity that has not lent itself well to ways and means of stimulating consumption.

I think that helps explain why the world trade in cotton has been so well stabilized in part over the past 20 or 30 years.

Now, with world trade stabilized, the sharing in that trade is not static and is not as constant as the total. The United States share in the world export trade has been on a decline for the past 25 years or more. In the period prior to 1930 cotton exports averaged about 8 million bales a year, and with the beginning of programs of assistance——

Senator EASTLAND. You don't mean 25 years, do you? In 1932 we had the highest exports we ever had, didn't we? Did it begin in 1933?

Mr. WHITE. I was speaking first of the period prior to 1930. The first price operations began in 1929, at the beginning of a 16-cent loan initiated by the Farm Board, in which stocks began to accumulate. And then in 1933 there was another program of assistance initiated, and that was coupled with many other world changes. But because of the price support in the United States, it remained at a fixed level. The United States has gradually become a residual world supplier, and continues that way under programs in existence yet.

Senator EASTLAND. You mean that a rigid 90 percent price support is reasonable?

Mr. WHITE. The price support is a rigid price support today, it has been a rigid price support at lower levels in past years, and in the beginning it was a rigid support of about 52½ to 55 percent of parity. What happens in the rest of the world when the American price is firmly stabilized and the crop is exported at the stabilized domestic price, or not less than the stabilized domestic price, other nations producing similar types of cotton are able to move their cotton into the market freely at a very slight price discount. And it is that situation that results in this country taking the position of a residual supplier.

In the period——

Senator HOLLAND. Excuse me. If I may interrupt you, will you just spell out a little more clearly what you mean by "residual supplier" so that the record will reflect that?

Mr. WHITE. By a residual supplier I have reference to the situation whereby this country would sell for export at not less than the domestic support price. When the price in the United States declines to the

domestic support price, then there is a floor, so to speak, under the export price. When that situation occurs, foreign producing nations not having similar floor prices for export are free to export for any price. It is only necessary that they reduce their price slightly below the support price of the United States in order to get the business.

In that way the United States can sell when—and mostly when—consuming countries do not find supplies adequate in the foreign producing nations.

Senator HOLLAND. What you mean is that there isn't any market for American cotton under these facts that you have related until after the foreign cotton has all moved, is that it?

Mr. WHITE. That is substantially correct, Senator. But when consuming mills know at the beginning of the year that there is not enough cotton in other foreign nations to meet their cotton needs, they begin to buy residual amounts in the United States at the beginning of the year, but increase their buying as the year progresses. That is partly to meet a quality requirement.

Senator EASTLAND. What are our exports? You said that they have fallen from a normal export before price support operations of around 8 million bales. They have fallen to what figure?

Mr. WHITE. In the years 1925 to 1930, exports from the United States were about 8 million bales a year. During the 5-year period before the beginning of World War II, in 1934–38, exports dropped to 5 million bales a year as an average for that period. During the 5 years following the close of World War II, 1945–49, exports further declined to about 3.9 million bales a year. With the beginning of the foreign assistance programs——

Senator EASTLAND. Now, wasn't that partly true because of low production in this country?

Mr. WHITE. There was a large carryover of cotton in this country at the beginning of the postwar period which enabled this country to meet any demand that then existed for export. And it was over this period of 5 years that that carryover of some 11 million bales was reduced down to 2 to 3 million bales. And that was coupled with various short crops during that 5-year period.

Senator EASTLAND. We had an export subsidy back them, did we not?

Mr. WHITE. There was an export subsidy in the first years following 1945, but that was eliminated.

Senator EASTLAND. What part did it play in moving the surplus stocks?

Mr. WHITE. There are many that have different views as to the effect of that export subsidy.

Senator EASTLAND. What do you mean by that—"export subsidy"?

Mr. WHITE. The export subsidy in 1946 had the effect of lowering the world price for cotton by the amount of the American subsidy, which reached a point of about 4 cents a pound. The noticeable effects at the time the subsidy was in operation was about this; that when the subsidy rate was announced it resulted in the American cotton being lower priced than the then existing prices of foreign cotton, and it resulted in increased business for a short period of time, until the foreign governments could assess correctly what was taking place and reprice their cotton competitively.

Then the advantage of the export subsidy disappeared. When another and lower rate was announced, American cotton was priced lower, and it stimulated sales. But again, as soon as foreign nations could properly assess what was taking place, they readjusted their prices competitively, and the effects of the subsidy disappeared.

It was through a series of those steps that this Government went through in its efforts to make American cotton competitive on world markets. And the program was finally discarded. It was abandoned to a considerable extent, Senator, on my own recommendation. I was in the Department of Agriculture at the time, and under the conditions then existing it did not appear that price was——

Senator EASTLAND. Price didn't have anything to do with it, is that correct?

Mr. WHITE. That is correct. Shipping, the availability of credit, and the terms of the sale were far more important than the price.

Under those conditions we concluded that the export subsidy was not serving a sufficiently useful purpose, and dropped the program. It seemed to be a desirable step to take under conditions then existing.

Senator YOUNG. Did other countries engage in what is known as barter deals to dispose of cotton at that time?

Mr. WHITE. There were barter deals going on at that time by the governments. In fact, Senator Young, they resorted to most every kind of trade device and arrangement.

Senator YOUNG. Especially prewar Germany. I think they did most of their business by way of barter, didn't they? With South America, for instance.

Mr. WHITE. Yes, Germany did considerable business in exchange trade of that sort in the period of 1935 to 1940. Many countries after the war resumed barter trade in one way or the other, or clearing agreements between the two that had something of the effect of barter trade.

Senator YOUNG. We do less of that than any other country, nation-to-nation deal and barter arrangements?

Mr. WHITE. I think the Department of State can probably answer that on a more comprehensive basis than I could. But it is certainly true that the United States does far less than the major countries of the world that have a large world trade.

The foreign cotton production trends are definitely up, significantly so in the past 5 years. The outbreak of the war in Korea in 1950, together with certain Government actions, caused the cotton prices to soar to extremely high levels. And it came at a time——

Senator EASTLAND. What were those levels?

Mr. WHITE. In foreign countries American-type cotton increased in price from about 35 cents per pound to generally around 70 to 75 cents per pound, and for short periods in some countries to as high as a dollar a pound.

Senator EASTLAND. What was the price in the United States?

Mr. WHITE. The price in the United States rose from about 35 cents to about 45 cents where a ceiling became effective on cotton and a great many other commodities, and it was held at that price until the world prices declined 2 or 3 years later.

But the increase in price made cotton production quite profitable. And it came at a time when most of the cotton-producing nations of the world were undertaking postwar developmental programs.

It is significant in cotton production to note and consider that most of the cotton produced in the world outside the United States is produced in the Torrid Zone, or in the lower part of the North Temperate Zone within about 33° north of the Equator. These countries all are outside of the United States in the underdeveloped areas of the world. Most of these countries are now putting forth effective developmental programs. One of the first steps taken is to develop the land resources.

Senator EASTLAND. You mean they are increasing their production?

Mr. WHITE. And cotton is one of the most profitable crops to produce, and it lends itself well to export trade under present world conditions, and in that way creates foreign exchange that is needed so urgently to carry out the developmental programs in the country. That puts a real and urgent interest on the part of governments, and a price incentive on the part of farmers, creates interest in growing cotton. That was the basis for——

Senator EASTLAND. Didn't cotton worth 70 or 75 cents, and in a few cases a dollar a pound, didn't that give the impetus to this expansion?

Mr. WHITE. It gave a great impetus to the expansion and when it was coupled to this program of development of the country, the two moved off together with the greatest impetus that I think we have ever seen.

For example, during the war, foreign cotton production was about 15 million bales a year.

Senator HOLLAND. You mean of the free countries?

Mr. WHITE. That is the total of all countries. Of the free countries of the world, during the war production was about 11 million bales a year in the free world outside of the United States.

Senator EASTLAND. What is it now?

Mr. WHITE. That has increased to 15 million bales. The acreage has increased in the free world from a 1945–49 average of 29 million acres to a 1950–55 average of almost 40 million acres, more than a 10-million-acre increase.

Senator EASTLAND. What are the prospects for still further increase in the future?

Mr. WHITE. Thee amount of land that is suitable for cotton production is as yet an unknown factor. It is becoming increasingly clear that the developmental programs put underway in this postwar period in many nations—in the Middle East and in the Orient, particularly in Pakistan, and in the river valleys of Latin America—have opened up great potentials that weren't heretofore recognized.

Senator EASTLAND. Are many of them financed by this country?

Mr. WHITE. Some of those countries are receiving general financial assistance from the United States, but none of them are receiving, so far as I know, specific assistance aimed at increasing and developing the area for cotton production. Now, there are some projects——

Senator EASTLAND. If this country finances a dam there they can plan anything they want to, can't they?

Mr. WHITE. I was about to add that in some instances, the development of river valleys for irrigation for general purposes, the land use may be 20 percent cotton and, let us say, 20 percent sugar, 20 percent rice, and 20 percent wheat or other crops; there are some of those developments. But they are not large developments as far as this country's participation is concerned. But there are some. But as far as being projects aimed specifically at increasing cotton production, I am

not aware of any that are being undertaken by the Government at this time. But I don't think that has much significance as to whether or not these countries go forward in the expansion of cotton production. What is important is a satisfactory price to the grower for the crop, and the need on the part of the government for the foreign exchange that the sale of that cotton creates for export.

Senator YOUNG. If we provide technical assistance and instruction to better their farming, and maybe provide some machinery, that would certainly tend to increase the production greatly, would it not?

Mr. WHITE. There is some assistance given in Extension education, the county agent type of assistance, spread clear across all the crops, and to the extent that there is cotton in the area it would tend to show the benefits of the advice as to better agricultural practices and to speed up a little the efficiency in production.

On that point I mentioned a while ago that the efficiency of cotton production in the United States was about 50 percent greater than the rest of the world combined. There, I think, lies the greatest potential in the increase in foreign cotton production. Speaking of the land base is one matter. It is a question yet as to the extent of that land base as a potential. I mentioned that there are large areas of arid land that are quite fertile potentially that are similar to the situation existing in this country in Arizona; where there is water that is not used and land that is not now devoted to intesive cultivation, if cultivation at all.

I have visited many of those areas and have had a chance to see firsthand how they can be readily adapted to increasing cotton culture. What the future holds is a matter of opinion. But it is likely to be a large potential. But the greater potential is in the improvement of yield per acre. Yield per acre of all foreign nations combined is only about 200 pounds per acre, as compared to an average in this country of about 300 pounds per acre.

In some of the important cotton producing countries, the yield is still as low as a hundred pounds per acre. With a better knowledge of the control of cotton insects, which is now becoming quite widespread knowledge, and foreign countries now have access to chemicals suitable for cotton insect control, yields will increase. The experiment stations in most countries are developing better varieties of cotton to plant, higher yielding varieties. I think it is only normal to expect that technological developments will take place irrespective of whether they get technical aid from the United States or from other countries where it is available or from their own country.

Senator EASTLAND. Let's take Brazil and Mexico as two typical countries. They have expanded their production, have they not?

Mr. WHITE. Quite considerably, especially for Mexico.

Senator EASTLAND. Quite considerably. When a farmer in those countries diverts his crops from something else to cotton, or where virgin land is planted in cotton, what is the first step in that production? It is financed, isn't it?

Mr. WHITE. That is one essential requirement.

Senator EASTLAND. That is the first step, isn't it, it has got to be financed to do it?

Mr. WHITE. Yes.

Senator EASTLAND. Now, what has made it possible for this increased production to be financed?

Mr. WHITE. The financing of cotton production within a country is carried out with local currency, the currency of that country. And I know of no other crop that lends itself more admirably to production credit than cotton. It is a crop that cannot be used for food nor for any other beneficial use as it leaves the farm, and it goes through a processing at a gin. Because of that it lends itself to mortgage credit admirably. And furthermore——

Senator EASTLAND. Suppose that a banker has got no assurance that he is going to get his money back because of price, then he is not going to finance that crop, is that true?

Mr. WHITE. That is quite true.

Senator EASTLAND. Then what has made it possible for bankers to finance increased cotton production with the assurance that they would be repaid?

Mr. WHITE. Well, I believe that the past 25 years of agricultural programs in the United States has lent great encouragement to foreign countries' reliance upon the continuation of this policy in the United States, so that they have been able to plan the future operations with a degree of certainty.

Senator EASTLAND. Suppose that we have a support price in the United States of 33 cents a pound. That will effect cotton prices all over the world, will it not?

Mr. WHITE. Yes, of American-type cotton, which is about 90 percent of the world production.

Senator EASTLAND. That is right. A banker, then, would realize that the price, because of this American support price of say, 33 cents, is going to be relatively stable, isn't that right?

Mr. WHITE. That is correct.

Senator EASTLAND. Now, wouldn't he realize that he is not taking any chance in financing this increased production?

Mr. WHITE. The only chance that he is taking is a chance as to whether or not the farmer would produce a crop. A large part of the cotton produced outside of the United States is produced under irrigation. Under irrigation, crop yields are fairly well stabilized.

Senator EASTLAND. He is insured against a fall in price, that is what it amounts to, does it not?

Mr. WHITE. I think the foreign cotton producing nations feel that the United States will stabilize the price of cotton based upon their observations over the past 20 years. And they make plans according to their judgments.

Senator EASTLAND. Now, under a continuance of the present American—this country has no export cotton program, has it?

Mr. WHITE. Unless you would call a program for export under Public Law 480—unless you say it is a program for sales for local currency.

Senator EASTLAND. Which is in essence a giveaway program, isn't it?

Mr. WHITE. I feel that when a consumer pays the market price in local countries it is difficult for him to consider that it is giveaway.

Senator EASTLAND. It is only a giveaway program in the sense that the United States might not get back—and under programs that I know about, does not get back—full price in dollars.

Mr. WHITE. That is right, does not get back full price in dollars.

Senator EASTLAND. Now, under a continuation of the present pro-

gram, what in your judgment is the future prospect for America's participation in the world export cotton market?

Mr. WHITE. I conclude that it is reasonably certain that per capita consumption is not going to increase significantly, that it will take a very determined effort on the part of the cotton manufacturing industry, associated with other industries, in sales and promotional campaigns a very determined and extended campaign, to have even a small effect upon that. Therefore, looking forward to the next 5 or 10 years, we should not expect per capita consumption of cotton to noticeably change. Therefore, the demand can be expected to be somewhat proportional to the increase in population.

The increase in the production of rayon, which now amounts to the equivalent of nearly 10 million bales of cotton, having expanded considerably since 1945 in certain countries, is meeting increased fiber requirements where consumer incomes have increased. Increase in consumer incomes above a certain level is taking on the color of added textile consumption in the form of high quality merchandise, fine woolens, and worsteds, rayons and nylons, but not much more increased consumption of cotton. Europe is characteristic of that. The per capita consumption of cotton is remaining pretty static at around eight or eight and a quarter pounds a year, but they are consuming fairly large amounts of rayon, and some substantial amounts of wool.

That is the situation on the demand side. Considering that the cotton marketing system is a profit system, and that the sales are dependent upon the purchasing power of the consumer, and that the per capita consumption is static, and increased consumption is tied up with increases in population, we more or less get a fixed pattern of the market.

Now, on the other side, on production, we are witnessing in most of the competing countries in the world—the large countries in cotton production in the world, which are in this hemisphere, besides the United States; Mexico, Peru, Brazil, Argentina—and in Africa, Egypt, the Sudan, the Congo, and British West Africa—principally Uganda and to some extent Kenya and Tanganyika—and in the Middle East where cotton production is being expanded significantly, Turkey and Syria, and I think to an increasing extent along the Euphrates River and in Iraq and Iran, and in the Indus River valley, and the other four river valleys in Pakistan— significant increases in cotton production and we may expect similar developments over the next 5-, 10-, or 15-year period.

Here we have in all these areas fertile lands that are not yet subjugated, waters that are going to waste, a large population not fully employed and a price base, that is, an incentive to——

Senator EASTLAND. Who makes that price base that is an incentive?

Mr. WHITE. The present price base has been created and maintained by the United States.

Senator EASTLAND. Now proceed.

Mr. WHITE. Since 1929 or 1930, however you want to count it.

Senator EASTLAND. Go ahead.

Mr. WHITE. With that situation, and considering that world trade in cotton, exports of cotton from all nations, does not show any characteristics of change over any period of years, we are forced to con-

clude that the question to be resolved is whether or not the increase in the world population will be at a faster rate than the increase in the world production of cotton in the areas that are here mentioned.

And I do not know of anyone who would venture to answer that question. I don't believe the people in the countries where the cotton is produced can answer it. They only know that the trend is upward, they only know about their production potentials, they only know about the interest of the farmers. And they only know about their need for foreign currency. And whether or not those factors cause land to be put into cotton and also cause farmers to practice more scientific farming and increase cotton yields as a result, which will be greater than the world increase in population, is a question that they do not know, also.

Senator YOUNG. If these lands are brought into production are you sure that it would result in greatly increased cotton production, or would they turn to other production? Wouldn't they be just as apt to turn to other crops?

Mr. WHITE. I am speaking, Senator Young, of the upward trend of cotton as such. On the other hand those areas that have gone into cotton are not all planted in cotton, they are planted in a wide variety of crops, generally speaking. But cotton production, as such, is on a definite upward trend.

For example——

Senator HOLLAND. You mean the yield per acre?

Mr. WHITE. The acreage is definitely upward. For example, to get away from year-to-year fluctuations, and using a 3-year moving average so as to have a picture without year-to-year fluctuations, you will find the situation like this.

The cotton acreage in Mexico during the 3-year period 1947 to 1950 was a million acres; in the period 1952 to 1955 it was 1,900,000 acres; in the same 3-year period comparisons, the 3 years before 1950, and then the last 3 years; in Argentina there were 1,100,000 acres as compared to 1,400,000 acres. In India it went from 11,400,000 acres to 17,200,000 acres. And in Turkey it went from 660,00 acres to 1,500,000 acres. In Syria it went from 60,000 acres to 419,000 acres. And in an old area like the Congo, it went from 750,000 acres to 905,000 acres.

This is the production trend by countries that I am speaking about that is definitely under way. And the factors that govern it are the ones which I have just mentioned.

Now, whether or not the production trend being upward as it is, was motivated by the things mentioned, the need for currency and the opportunity to make a living by the farmer, and the suitability of the land and the climate for the production of cotton—whether or not these increases in the future will outrun the increased demand as a result of the increased population, and therefore, put great pressure upon the United States as a residual supplier, is the question that a great many people would like to know the answer to.

Senator EASTLAND. What is your judgment?

Mr. WHITE. Well, I think the best judgment would be based upon the experience of the past, recent experience, what it is leading to.

The production trend since the end of the war has been up in the United States by less than 2 million bales. It has been up in the free world outside the United States by over 5 million bales, and it has been up in the Communist world by over 3 million bales.

Now, the world trade has been stabilized at between 12 and 13 million bales, but the United States share in that world trade declined from 8 million bales in 1925–30 to 5 million bales in 1935–40, to a little less than 4 million bales in 1945–50, and it is now at about that same level.

On the other hand, the export from the other free-world countries has increased from about 5½ million bales in 1945–49 to about 7 million bales now, or about 50 percent increase.

Senator EASTLAND. Mr. White, isn't it your judgment now—will you please state whether or not it is your judgment that American exports will level off at about 3 or 3½ million bales if we remain a residual supplier of cotton?

Mr. WHITE. I would say that the last 2 or 3 years would confirm that as a logical conclusion.

Senator EASTLAND. In other words, you expect, if the same policies are followed, a still further decline in American exports from a million to a million and a half bales?

Mr. WHITE. I think, Senator Eastland, that it is clear that the present programs result in the United States being a residual supplier. And I do not know of anybody who would argue that that is not true. Whether or not that residual amount becomes a smaller amount than 3½ or 4 million bales depends on whether or not the increase in cotton production in the rest of the world is at a faster rate than the world population is. If it is, then the residual amount, I think, most certainly would be reduced.

Senator EASTLAND. You know that world production is going to increase faster than world population if there is the incentive brought to increase that production.

Mr. WHITE. I could only say that that is a tendency now and has been the tendency for the past 6 or 8 years.

Senator EASTLAND. What is your judgment?

Mr. WHITE. My judgment would be if the price structure is maintained, the present policies of the United States with respect to cotton are maintained, that it would be more likely that foreign cotton production would increase at a faster rate than world population would increase, and that we would have some added pressures on the United as a residual supplier.

Senator EASTLAND. In fact, as long as they can make a profit they are going to increase production, aren't they, and make the money? It is as simple as that, isn't it?

Mr. WHITE. Those are the motivating influences. There are always some difficulties. This takes money and time, it takes money and time to put the land under cultivation, and it is something that holds them back, that is certain. But there are those influences that motivate them, and during the past 6 or 8 years it has resulted in cotton production in amounts greater than needed to meet consumption requirements based on population increases. And I should think that would be the logical thing to expect over the next 5 years.

Senator SCHOEPPEL. You mentioned a while ago the increased production of rayons, in other words, the synthetics. Now, with reference to what you have said, and what you know about the impact that rayon is making on the cotton industry, not only in our own

country, but worldwide, with new, improved techniques in synthetics that are being made, and industrial expansion in a lot of other sections of the world that seemingly are on the upgrade—at least, they are expanding—will not that, then, have additional impact upon the use of cotton and cotton goods?

Mr. White. It will have, decidedly so, and particularly in the areas of the world where consumer purchasing power is increasing and where their standard of living is rising.

Senator Schoeppel. And the standard of living and purchasing power in a number of the nations of the world now are decidedly on the better side, aren't they?

Mr. White. That is quite true—of the industrialized nations in particular.

Senator Schoeppel. That is right.

Mr. White. Now, it is important to consider where the increase in world population is taking place, if that is a factor that largely governs the demand for cotton.

By large areas the increase in population is like this: if we compare it over a period of, say, 15 years, from 1935 to 150, in the United States the population increase was nearly 30 million people. And the United States was one of the few places in the world where per capita consumption increased during that period from about 21 pounds to 27 pounds of cotton.

That gives a double added consumptive demand. And it certainly made the United States, by far, the best market for the American cotton producer.

Latin America during the same period increased in population by nearly 50 million, or 20 million more than the United States. But cotton consumption in Latin America stayed static at around 6 pounds per head.

In northern Europe and southern Europe there was 33 million more people, 33 million people whose consumption also stayed static at around 8½ pounds of cotton per capita.

And in Asia, where the population increased—and excluding China—was 175 million people, per capita consumption of cotton declined, and that is not an area that is consuming relatively large amounts of rayon or nylon or the higher priced fabrics.

The only other area of significance is Africa, where the population increased 30 million and there they have had some increase in per capita consumption.

So the area where the greatest potential—from a population standpoint—is Latin America, where they can produce their own cotton, and Africa, where they also produce cotton, and in Asia, where the population increase is, outside of China, the largest in the world, and excepting for India and Pakistan—generally do not grow much cotton because they are not suitable climatically for the production of cotton.

Senator Holland. May I ask one question there?

Senator Eastland. Yes, sir.

Senator Holland. What is the indication as to the increased productivity per acre in the free world outside of the United States? You have told us that the comparison between their productivity and ours is very greatly in our favor. Is there any indication that they are improving their technical methods?

Mr. White. They are.

Senator HOLLAND. Improving their know-how and stepping up their production per acre?

Mr. WHITE. They are only now beginning to concentrate on that, Senator Holland. The first and easiest way to increase production is by expanding the acreage. The other requires concentration and mental development, an application which is slower. But now farmers as well as the governments in foreign countries are turning attention to improved production practices.

That is made possible by this world becoming a smaller world. And the travel between the nations has increased in all the rank and file of the population, and world commerce in chemicals and machinery has increased so that they are more readily available. And there are potentials that they recognize, such as this.

In the United States, during the period 1935–40, as compared to 1945–50, per-acre yield of cotton increased 82 pounds. In Asia during the same period, 16 pounds. In South America, 18 pounds. In Africa yields actually declined 12 pounds. And in the free world the yield increase was only 40 pounds, with the United States participating with an 80-pound increase.

Now, the world is aware of that, and they have been asking, "How do they do it?" And they have come over here on their own initiative to find out, and they are interested in making applications of the improved practices. So it would only be logical to conclude that given time, 8 to 10 years, to make these adjustments, set up extension services, assimilate the information, whether they are being helped or not, we can expect yield increases.

For example, in South America the yield is only 200 pounds, and in this country it is 300 pounds. It is not logical to expect that situation to continue.

Senator HOLLAND. What is the production per acre in Mexico, which is really just across the river from our production?

Mr. WHITE. The production in Mexico has risen very significantly in the past few years. And it is now just slightly higher than our own, 296 pounds in the United States and 313 pounds in Mexico.

Senator EASTLAND. Who finances that production Mexico?

Mr. WHITE. I could not answer that, Senator, accurately. I do not have the facts on it. We do know it is financed, of course, in pesos; we know it is financed by local banks. Where the banks get their financing, we have not records on that.

Senator EASTLAND. What part does the Anderson-Clayton Co. play in that?

Mr. WHITE. They play as large a part as other American shippers in marketing the crop. I couldn't testify as to the extent to which they engage in production credit.

Senator EASTLAND. Let me ask you this question. You testified that it was a logical assumption and it was your judgment that if the present policies continued America's part in the export cotton market would decline from 3 to 3½ million bales. Now, what is your judgment about the future of domestic consumption in this country? Do you think it will remain at these levels? Do you think it will decline or increase?

Mr. WHITE. Well, domestic consumption has stabilized in recent years at between 8½ and 9 million bales per year.

The future of domestic consumption of cotton in this country is largely dependent upon industrial activity which creates the market for about 40 percent of the total consumer demand, and the balance of the 60 percent for clothing and household uses is dependent upon consumer incomes.

Senator EASTLAND. Do you think it will remain at about 8½ million bales?

Mr. WHITE. I think the given rate of national income might be expected to continue, and that would more or less provide the purchasing power to maintain an 8½- or 9-million bale consumption.

Senator EASTLAND. You anticipate a future demand for American cotton of about 12 million bales; is that right?

Mr. WHITE. I think we can speak with more certainly on the domestic side of this equation than we can on the foreign side.

I do believe that the tendency is going to be, unless there are special programs to the contrary, for the United States to be increasingly the residual supplier—I believe the tendency will be that foreign cotton production will tend to outrun foreign demand, and therefore, put some added pressures on the exports from the United States.

At the present time they are around the 4-million bale rate, or maybe slightly higher, the last 2 years they have been slightly lower. Those are trends. I think it is a little risky to predict an exact figure.

Senator EASTLAND. I know it is. Of course it is. But I ask you what your judgment is.

Mr. WHITE. Well, my judgment would be that the present situation is indicative of the future.

Senator EASTLAND. You think about 12 million bales?

Mr. WHITE. I think 12 or 13 million bales.

Senator EASTLAND. Now, what acreage will it take in this country to produce that?

Mr. WHITE. We produced over 13 million bales this year on a little over 19 million acres, so something around 18 or 19 million acres, I suppose, would produce 12 or 13 million bales of cotton.

Senator EASTLAND. You are a cotton farmer, yourself, are you not?

Mr. WHITE. I do have a farming interest.

Senator EASTLAND. Where is your farming interest?

Mr. WHITE. I have a farming interest in the southeast section of Missouri and in the Arkansas River Valley.

Senator EASTLAND. You know small acreages like that will bring bankruptcy to thousands and thousands of cotton farmers.

Mr. WHITE. I do know there is about 80 to 90 million acres of cropland on farms that produce cotton. And I do know that cotton production in this country is shifting to special areas that have favorable advantages to cotton culture. And that is to the irrigated areas of the Southwestern States, to the high plains area, to the Mississippi Valley, and to certain preferred areas in the Southeastern States, and that cotton is by far the most profitable field crop that can be grown in these areas.

It is partly because the climate is not favorable to other crops but is especially favorable to cotton, and also two other factors that make cotton a highly selective crop for these areas—special soil types and climatic conditions. And I know there is real urge on the part of the owners of these valuable resources, the rich lands, the fertile lands, to put them to more productive use.

Senator EASTLAND. As a matter of fact, you know that small acreages—I am asking you as a farmer, as a man who knows something about the production of cotton—you know that a small allotment like you describe will bring bankruptcy to thousands and thousands of cottongrowers.

Mr. WHITE. I think, Senator Eastland, the first effect is going to be upon the people who have been growing the cotton but who don't own the land, and when the acreage is reduced they lose their crops. That is the first serious thing.

Senator EASTLAND. I say, it will bring bankruptcy to thousands and thousands of cottongrowers; isn't that correct?

Mr. WHITE. I would hesitate in saying what would cause a farmer to go bankrupt—there are a great many things that would make him go bankrupt, and it seems at times they will go bankrupt in spite of all the help and assistance they can get.

Senator EASTLAND. Certainly. But the acreage can get so small that a farmer can't make a living; isn't that right?

Mr. WHITE. There is quite a point to the fact that as the acreage is reduced to an unduly small acreage that farm incomes fall. And there is a point where a sacrifice is made in following price alone.

Senator EASTLAND. In following price alone. That is what I wanted.

Let me ask you this question. You have got States, you say, that have been going out in cotton—I judge you meant Alabama, Georgia, South Carolina?

Mr. WHITE. Parts of a great many States.

Senator EASTLAND. That is right, parts of those States.

Mr. WHITE. Arkansas, Texas, Oklahoma.

Senator HOLLAND. You mean that users of the unfavorable locations which are marginal or just simply not as productive as the choice locations are increasingly going to have to find other uses for the land?

Mr. WHITE. Yes, they are, that is for sure.

Senator EASTLAND. I want to ask you this question, then. If we have an extended market, isn't that the surest way to keep these States in the cotton business?

Mr. WHITE. It would seem to me that the farmer would be the important person to decide whether or not they should be kept in the cotton business, whether or not he can make money, make a living.

Senator YOUNG. May I ask a question at that point?

I know you have quite a little knowledge of the farm business, having been in the Department of Agriculture for a long time. Would you think that there are any other profitable crops that the small cotton farmer throughout the South could switch to now? Is there any other type of production that they could switch to now?

Mr. WHITE. Senator Young, there is, and there is an abundance of evidence of what they have done over the past 20 years.

Senator YOUNG. If you were a farmer who was losing his cotton acreage and didn't have enough to exist on, what would you switch to?

Mr. WHITE. It would be dependent all together on the farm and where it was located and what the soil was adapted to, and what the market was.

Senator YOUNG. On the farm in Arkansas which you own what would you switch to?

Mr. WHITE. The farmers down there who have switched, have switched to livestock in the main.

Senator EASTLAND. They switched to livestock, and they lose a lot of money. Now, what are they switching to?

Mr. WHITE. They are switching to oats, to soybeans, to barley.

Senator YOUNG. There is an overproduction of oats, too, isn't there?

Senator EASTLAND. Isn't that correct?

Mr. WHITE. They switch to more extensive land uses, largely the forage crops, grasses and legumes, and grains, small grains mostly, oats principally; and to livestock, either dairy or beef cattle, to consume the grain crops. There has been a small shift to poultry, but not noticeably so.

Senator YOUNG. But the farmers of all those things are in trouble now, aren't they?

Mr. WHITE. That is correct. But they were in trouble also on cotton, it was purely a choice between two things, neither of which looked very attractive.

Senator HOLLAND. Mr. Chairman, I think the witness was about to say something about the history of the last 20 years, and I believe he was cut off by a question. If he was going to make a statement on the conversion that we have seen in the last 20 years, I would like to have that in the record.

Mr. WHITE. Out of nearly 900 cotton producing counties in the United States there have been a great number that have either shifted completely out of cotton production or almost out of cotton production in the past 20 years—since 1935.

Most of these farms were small farms, but in some cases they were medium sized and larger farms. The land pattern generally was a small farm unit of 40 to 50 to 60 acres of cultivated land. The shift away from cotton was into the crops for which the soil on the particular farm was best suited, and considering the market opportunities for the products in the area; because here you were shifting away from an assured market for cotton for 12 months in the year to a local market that has seasonal fluctuations, or the absence of a local market for the product.

It has generally meant the building up of livestock markets, local livestock markets, to handle increased livestock production, mostly in the form of cattle, either dairy cattle or beef cattle—only in limited cases in hogs, because of the inability to grow suitable feed for hog production.

It has shifted to some extent to grains, to sorghums, and to oats, and to a much smaller extent to intensive cultivation, but to some extent, for the supply of fruits and vegetables for the local market or for regional markets within the general area.

Senator EASTLAND. In fact, in southeast Missouri and in Arkansas and in the Mississippi Valley, before wheat controls there was a big shift to wheat production, wasn't there?

Mr. WHITE. That was particularly true in Mississippi. It was true to a much smaller extent in Arkansas, and to a much smaller extent in Missouri. The competing crops in Missouri to cotton, where cotton is adapted, are corn and soybeans. They are quite competitive with cotton, the nearest competitive to anything with cotton, and wheat comes after those two.

Senator EASTLAND. Mr. White, what can the United States do to recapture its normal share of the world export market for cotton?

Mr. WHITE. I was asked the same question early this morning by the executive branch of the Government. That is an exceedingly difficult question to answer. But I say this, and it represents my best thoughts; that we are forced to conclude that the demand for cotton is more or less of a fixed demand, that the world trade in cotton is more or less a fixed amount, and is not changing; that if we want to recover a portion of the share of trade that we lost, it will mean a displacement somewhat proportionate to the extent to which the United States recaptures a part of the market. It is as simple as that.

There is no possibility, as I see it——

Senator EASTLAND. Displacement? I don't know what you mean.

Mr. WHITE. Yet me state it——

Senator EASTLAND. You mean displacement of foreign production, is that what you mean?

Mr. WHITE. Displacement of exports from foreign countries.

Senator EASTLAND. All right. I didn't understand you.

Mr. WHITE. Stated another way, with the demand for cotton imports generally fixed, if any country wants a larger share of that fixed market it means that some other producing country will need to give ground and make room for some other country having a larger percent of that total.

Now, we have explained in some detail here, or discussed in some detail, that what has been happening has been somewhat of a retreat from the world market because of the United States being a residual supplier as a result of the support price system, and with no specific program to counter that to hold export trade; that other countries have taken over by the amount that this country has retreated.

There are many factors, as I have already explained, that have brought that about. So I see no opportunity to regain a larger share of that market by expanding the market.

Now, that is true of some of the food crops, but I don't think it is true in cotton.

Senator YOUNG. May I interrupt you at that point? Wouldn't it be possible to trade cotton for some surplus items that some countries of Asia might have, and thereby raise their standard of living and give them the opportunity to provide cotton to their needy people?

Mr. WHITE. And in that way increase consumption?

Senator YOUNG. Yes.

Mr. WHITE. We have been studying that, Senator Young, in this international committee that has been authorized by this Government and the other governments, 32 combined, to undertake programs of this kind and to enter into an agreement, subject to Senate ratification. And we have been unable to make any substantial progress.

There is very much interest in this subject. This Government and my own agency is trying to set up a pilot operation, 1 or 2, to get out and see if it could work. But there are so many problems involved simply because the cost of the product increases so fast before it is usable, and in most cases the person who consumes the article doesn't contribute the labor to make it usable, it goes through a manufacturing process, so labor has to be paid.

Those costs increase the value by 8 or 10 times, and it makes it exceedingly difficult to plan ways and means of increasing consumption.

Now, we are giving attention to such things as giving cotton or supplying it under some kind of a program for making mattresses. We know that there are hospitals where people are sleeping on floors without any mattresses, without any sheets, without any towels, sick people in large numbers—in countries in which we feel that we have an interest in the free world, as allies. We know that a large part of the people in the world are brought into the world as babies without the aid of a physician, with the aid of a midwife; where there is little or no cotton gauze or diapers available for the newborn infant. We know of cases where children have grown up to the age of 3 or 4 before they wore any cotton or any textiles at all. And we have given serious consideration as to how those people can be aided, because they are suffering from embarrassment, they would like to have more decent conditions in their communities, and they would like to clothe their bodies more adequately and more decently and provide better for the sick and newborn.

But it is an expensive operation to put into effect. That is what frustrates it.

Senator YOUNG. Don't they have something, strategic materials of some kind, that they could trade us and we could stockpile?

Mr. WHITE. It is one thing to exchange raw cotton for, say a strategic material. That can be done in certain areas in sizable volumes, I believe, but giving the raw cotton to a person that has neither a spindle nor a loom doesn't make the cotton usable; it is just the same as if it were sitting here in the warehouse. They can't eat it, wear it, or use it, unless a lot of work is done on it. Usually that work is done in a mill where people are paid wages for their labor.

Senator EASTLAND. That is true. Let's assume that we could swap cotton for some materials that we need to stockpile. That doesn't create a market; does it?

Mr. WHITE. It does not create an effective demand for cotton, it merely transfers the site of the cotton.

Senator EASTLAND. Certainly. It is your opinion, is it not, that we have got to have some markets for an increased consumption of American cotton abroad, is that right?

Mr. WHITE. That is highly essential.

Senator EASTLAND. All right. What is the way to get that? You have just said now that cotton in the export business was static, it has been stabilized, and some other country had to give if we increased ours. I agree with that. Now, what will make it give?

Mr. WHITE. Well, you simply have to make a program more competitive than the present program.

Senator EASTLAND. In other words, we have got to be competitive with these foreign producers; have we not?

Mr. WHITE. That is essential now under these conditions.

Senator EASTLAND. Now, is there any other way except that one?

Senator SCHOEPPEL. Before we leave that, though, how are you going to accomplish this, with the existing price structure?

Mr. WHITE. If the sale is for dollars the present price structure is extremely important. If the terms of the trade are other than for dollars, then it depends upon the terms of that trade. I mentioned a while ago that in the period of 1945–50 this Government abandoned the cotton-export subsidy, because price was not all important, credit

was important at that time, and other terms of trade. I have actually seen cotton sold and have helped this Government dispose of sizable amounts of cotton at a time when our cotton was bringing 10 cents a pound quality for quality over foreign cotton.

But we had the boats to deliver it, we could make the contract good, we had terms for repayment that were effective and acceptable, and the price was not too important. Under Public Law 480, Congress made available terms for sale other than dollars. That was tried out last year.

Senator EASTLAND. Unfortunately that doesn't create permanent market; does it? Are there any permanent markets that we can rely on?

Mr. WHITE. I don't know how permanent Public Law 480 will be. It depends upon the congressional appropriation. It is an excursion into a new type of business.

Senator EASTLAND. It would have to be a permanent policy?

Mr. WHITE. I think a sound policy would necessarily be more of a permanent policy than a temporary policy, to the extent that it had long-term features in it, it would certainly be more durable. I think on that point there might be people who might have quite different views as to what is sound and what is permanent.

Senator EASTLAND. In sales for dollars what is the essential?

Mr. WHITE. Price.

Senator EASTLAND. That is the sole essential?

Mr. WHITE. It is 99 percent price—1 percent, possibly, is quality. American cotton has slightly better quality. But price discount does away with that completely, and soon.

Senator EASTLAND. Now, if we were competitive in price, how much do you think—or do you have any idea—of what we could build our export business up to?

Mr. WHITE. I think we would not—we need not conclude that we would—share in the export requirement of the Communist areas. Some of the Oriental countries could, I think, expect to share in the import requirement of China. This country, the United States, used to supply the majority of cotton for Eastern Europe—and that was three to four hundred thousand bales a year to Poland, for example: Czechoslovakia, and some to Hungary, and the rest of the Balkans. But we haven't done business there for years. I wouldn't think it would be very logical to assume that this area would be another market for us.

Now, the market would be the free world. And that might be assumed to be not more than 12 million bales, and sometimes a little less; so it would be some part of 12 million bales, or thereabouts. It is now one-third of that, roughly. If you wanted more than that, or if this country wanted to take a larger percent, terms and credit would have to be worked out that were competitively achieved.

Senator EASTLAND. You say that our exports currently are running from 4 to 4½ million bales?

Mr. WHITE. That is what they seem to be.

Senator EASTLAND. What part of that 4 to 4½ million bales is sales for dollars?

Mr. WHITE. Sales for dollars?

Senator EASTLAND. Yes.

Mr. WHITE. Well, outside of Public Law 480, where sales are in local currency, the balance is for dollars. And that is running at a rate of about 4 million bales. Some of that is financed by dollars made available by the Congress through foreign aid appropriations and otherwise.

Senator EASTLAND. I understand that. Now, that is by American appropriations. Let's take that up. Let's say what is sold for dollars earned by the recipient countries.

Mr. WHITE. Well, the amount financed by the Government has been fairly large. It has declined in recent years.

Senator EASTLAND. In fact, the cotton grower has been living out of the foreign-aid program; hasn't he?

Mr. WHITE. I am familiar with this, because this has been one of my duties and responsibilities. Cotton and wheat, cotton and grains have been by far the large commodities; that is what the foreign countries need and want from the United States in big amounts; that is what they customarily buy, and it is what they find difficult in meeting the requirements for fully elsewhere. Last year the funds spend by the Foreign Operations Administration for cotton was $176 million. So far this year we have obligated $73 million. In the fiscal year 1953 it was $236 million. And in the beginning of the program, when exports of cotton were up around 5½, 5¾ million bales, financing was on the order of between $500 million and $600 million.

Senator YOUNG. Would you give the same figures for wheat?

Mr. WHITE. I will be glad to supply them to you, Senator. We have them available.

Senator EASTLAND. Tell me, how many bales of our current exports, how many are we really selling now?

Senator SCHOEPPEL. For dollars.

Senator EASTLAND. Dollars earned by that country?

Mr. WHITE. I would estimate, Senator, roughly about 3¼ million bales, based upon dollars spent, earned dollars, free dollars spent; not more than that.

Senator EASTLAND. In other words, on a sound basis of trade, our participation in the world export of the cotton market is down now to about 3 and 3¼ million bales?

Mr. WHITE. That is correct.

Senator YOUNG. Would a two-price system such as sponsored by the Grange help our exports of wheat or cotton?

Mr. WHITE. There are many concepts, Senator Young, of a two-price system, and how it would operate. I think one of the concepts is that one of the crops would be offered for export at whatever the foreign consumer would pay, the world price—unhampered or unassisted in any way here. If a two-price system was initiated it would depend first upon what the Government did with the large stocks it owns or controls and what rights the farmer would have to repossess and sell and whether it would be profitable for them under any scheme or program for that purpose.

But, if we had the Government stock set aside, I think the most logical thing to assume would be that the cotton acreage would expand from the present limit of 18 million acres or thereabouts upward toward the acreage that prevailed 2 or 3 years ago prior to the imposition of quotas. Farmers would then engage in export trade on a risk

basis, when they planted their crop they wouldn't be quite certain of what it would bring, and generally the price of cotton would decline. Under that situation, the normal thing to expect is that textile mills, as they are doing to day to a considerable extent in anticipation that prices may come down, would buy on a so-called hand-to-month basis and would keep their inventories at a bare minimum so that they would not have inventory losses as prices decline, either on raw cotton or on finished goods in inventory made out of high-priced raw cotton.

In that event we would have very careful and close buying on the part of all the consuming mills. Prices would decline. And as they decline, what has happened in the past, I think, could be relied upon generally to be repeated in the future. There would come times when individuals engaging in foreign trade, whether they be farmers or shippers or merchants or who, would begin to conclude that the price temporarily is getting too low, and they would begin to hold back and let the movement go on.

Then it would depend on a whole series of human reactions as to how far prices went down or whether they came back.

Senator YOUNG. We would all be meeting world competition, wouldn't we?

Mr. WHITE. We would always be meeting world competition. And there would be things which I think the people in Mexico or Egypt or Turkey would begin to say, "Prices are now becoming too cheap, so we will withdraw." That is what they have done in the past, withdrawn temporarily and waited to see what was going to happen. And others would say, "I still think there is too much cotton in the world, prices are not too low." And they would go down further. There would be a mixed judgment among buyers and sellers as to what prices should be. The trend would be downward because of the large supply.

Senator EASTLAND. And then the cycle would come back up, wouldn't it?

Mr. WHITE. In my opinion it would be in lulls and rises. It would come back, then lull, gradually working lower until it reached the point where it began to have an adverse effect on production.

Senator EASTLAND. Then it would come back, and then when the cycle went up the United States would have regained a large part of that export business, wouldn't it?

Mr. WHITE. I think there is some substance to the thought you express. In this downward trend and participation there would definitely be farmers deciding on a more selective basis than we talked about a while ago, as to the extent of their interest in participating in a supply of cotton for a world market. The areas of production would become constantly more highly selective, or efficient in production. The areas that have high yields and certain yields, and are mechanized, could be expected to be the ones who would like to continue the fullest production for export. And the areas having the highest cost would find other crops more lucrative than cotton with its continually lowering price. That would be true all over the world as well as here.

The first effect of it would be to slow down the rate of expansion, cotton expansion. Governments and people, make up their minds based upon the market that they expect in the future, and decide

whether or not they would go into cotton cultivation or not, that would be the first pronounced depressive effect. It is quite another thing to take growers who have already gotten into cotton production, have acquired the knowledge, have the production tools, have the investment in the gins and the cottonseed oil mills in the area, and drive them out of what they have gone into.

I don't think any area in the world that has been well suited to cotton cultivation has ever gone out after having come in. I am speaking now about lands that do not deteriorate in fertility, highly productive lands that give high yields year after year.

For example, although Egypt is an old country, they hardly produced enough cotton to meet their own needs until the beginning of the Civil War, when exports from the United States were blockaded, and the British and other areas of Europe, needing raw cotton, turned to Egypt for production. And once having shifted from wheat to cotton, they found it more productive, and have remained.

I think that would be true in Syria, where they recently have gone into cotton production, and Turkey, and in the river valleys, in Mexico, and the other places.

Now, whether they would begin to shift back out of cotton production would depend upon the price of wheat, which is the most competing product. If it is too hot for wheat or coarse grains to be used for food, then some other food crops such as rice, which in most cases is produced in a climate where cotton can be produced also, is planted. I think that can with a high degree of certainty be expected to be the general course of events.

Senator Eastland. Gentlemen, we haven't gone into Public Law 480, the foreign aid service. Do you want to call him back some other time, or do you want to go on with him this afternoon?

Off the record.

(Discussion off the record.)

Senator Eastland. We will hear the witnesses we have scheduled for 1:30 this afternoon and have Mr. White come back another time.

The committee will recess until 1:30 p. m.

(Whereupon, at 12:15 p. m., the committee recessed until 1:30 p. m. the same day.)

(Tables filed by the Foreign Operations Administration:)

Foreign cotton production and acreage, including present Communist area

Crop year	Production, 1,000 bales	Acreage, 1,000
1925	12,135	43,314
1926	10,942	39,942
1927	11,934	39,758
1928	12,403	42,866
1929	12,035	43,168
5-year average	11,890	41,810
1930	12,298	53,006
1931	10,723	43,396
1932	11,297	42,609
1933	13,873	46,717
1934	14,174	48,634
5-year average	12,473	46,872
1935	16,877	51,901
1936	19,952	54,810
1937	20,059	58,942
1938	18,017	51,652
1939	17,818	49,465
5-year average	18,545	53,354
1940	18,639	53,369
1941	17,161	52,149
1942	14,528	44,873
1943	14,208	46,485
1944	12,585	39,939
5-year average	15,424	47,363
1945	12,110	37,437
1946	12,950	38,026
1947	13,380	38,330
1948	14,253	40,006
1949	15,152	41,960
5-year average	13,569	39,152
Free world average	9,296	29,405
1950	18,412	48,840
1951	20,780	58,210
1952	20,709	56,579
1953	21,611	57,462
1954	22,720	60,483
5-year average	20,846	56,315
Free world average	13,664	38,839

NOTE.—1950–54 5-year average as percentage of 1925–29 average: Production 175 percent; acreage, 135 percent.

Cotton production

[1,000 bales]

Selected countries	5-year average		1950–51	1951–52	1952–53	1953–54	1954–55	1954–55 change from 1934–38 average	1954–55 change from 1945–49 average
	1934–38	1945–49							
United States	12,389	12,100	9,877	15,155	15,167	16,404	13,500	+1,111	+1,396
India	5,320	2,304	2,735	3,160	2,975	3,770	3,900	[1]−100	+1,596
Pakistan		1,024	1,220	1,320	1,540	1,200	1,320		+296
Brazil	1,793	1,352	1,650	1,950	1,600	1,425	1,700	−93	+348
Mexico	302	577	1,145	1,280	1,250	1,210	1,720	+1,418	+1,143
Egypt	1,846	1,456	1,762	1,673	2,056	1,467	1,500	−346	+44
Turkey	240	268	545	615	700	600	650	+410	+382
Peru	386	308	384	445	443	488	490	+104	+182
Argentina	275	427	550	550	580	600	620	+345	+193
Colombia	21	27	38	47	52	94	135	+114	+108
Nicaragua	3	7	23	47	61	105	175	+172	+168
Syria	25	32	164	225	205	215	275	+250	+243
Greece	75	52	118	131	112	140	178	+103	+126
Spain	10	18	19	36	70	75	80	+70	+62
French Equatorial Africa	34	104	100	145	130	130	135	+101	+31
Mozambique	27	104	130	138	185	140	160	+133	+56
Nigeria	47	48	80	110	95	135	110	+63	+62

[1] India and Pakistan combined for comparison.

Cotton production

[1,000 bales]

	5-year average		1949–50	1950–51 [1]	1951–52 [1]	1952–53 [1]	1953–54 [1]	1954–55 [1]	Increase 1954–55 over 1934–38 average	1954–55 as percentage 1934–38
	1934–38 [1]	1945–49 [2]								
World	30,451	25,687	31,166	28,289	35,935	35,876	38,015	36,220	5,769	119
North America	12,730	12,730	16,993	11,093	16,554	16,558	17,817	15,515	2,785	122
Asia	6,108	3,896	4,250	5,073	5,756	5,865	6,334	6,694	586	110
Europe	101	107	104	166	198	216	257	306	205	303
South America	2.515	2,184	2,329	2,728	3,035	2,717	2,637	3,007	492	120
Africa	2,753	2,483	3,013	3,214	3,096	3,540	2,985	3,063	310	111
Total free world	24,207	21,400	26,689	22,274	28,639	28.896	30,030	28,585	4,378	118
Communist area	6,244	4,287	4,477	6,015	7,296	6,980	7,985	7,635	1,391	122

[1] ICAC.
[2] USDA, Foreign Crops and Markets.

Cotton yield per acre

[Pounds per acre]

Selected countries	Average, 1934–38	1950–51	1951–52	1952–53	1953–54	1954–55	Average, 1950–54	1950–54 average as percentage 1934–38 average
Unites States	212	269	269	280	324	339	296	140
India	88	94	93	91	106	98	96	109
Pakistan		168	191	213	195	223	198	
Brazil	165	149	183	170	170	181	171	104
Mexico	216	292	278	308	301	386	313	145
Egypt	478	411	389	481	510	438	446	93
Turkey	187	235	184	201	195	218	207	111
Uganda	89	90	100	90	95	89	93	104
Belgian Congo	93	126	138	117	124	123	126	135
Tanganyika	89	105	95	150	135	130	123	138
Argentina	171	198	199	207	209	198	202	118
Greece	224	281	296	260	305	316	292	130

Source: ICAC.

Cotton acreage

[1,000 acres]

	5-year averages			1950–51	1951–52	1952–53	1953–54	1954–55	1950–54 average	1950–54 average change from 1934–38 average
	1934–38	1940–44	1945–49							
United States	28,400	21,985	21,258	17,843	26,949	25,921	24,341	19,187	22,848	−5,552
India	[1]24,692	20,518	11,306	14,556	16,198	15,678	17,200	19,000	16,526	[2]−5,082
Brazil	5,181	5,812	4,520	5,300	5,100	4,500	4,000	4,500	4,680	−501
Pakistan			2,965	3,011	3,244	3,459	2,881	2,824	3,084	
Mexico	679	855	1,034	1,879	2.183	1,938	1,922	1,980	1,980	+1,301
Egypt	1,843	1,162	1,367	2,050	2,054	2,042	1,375	1,639	1,832	−11
Turkey	616	736	645	1,108	1,584	1,669	1,473	1,423	1,451	+807
Nicaragua	7	7	11	49	70	75	120	200	103	+96
Syria	75	48	59	193	537	459	334	463	397	+322
Uganda	1,460	1,152	1,324	1,535	1,518	1,468	1,612	1,728	1,572	+112
Argentina	765	826	962	1,140	1,385	1,317	1,370	1,500	1,342	+1,263
Colombia	79	99	135	98	136	166	193	250	169	+90
Belgian Congo	814	923	745	815	881	898	908	910	882	+68
Tanganyika	232	225	165	190	200	207	150	250	199	−33

[1] Before partition.
[2] India and Pakistan combined to show total change.

Source: ICAC.

World cotton acreage by areas

[1,000 acres]

	5-year averages			1950–51	1951–52	1952–53	1953–54	1954–55	1950–54 average	1950–54 average change from 1934–38 average
	1934–38	1940–44	1945–49							
North America	29,209	22,953	22,403	19,877	29,368	28,096	26,535	21,529	25,081	−4,123
Asia	27,193	22,286	16,001	20,130	23,067	22,810	23,428	25,555	22,998	−4,195
South America	6,650	7,299	6,177	7,146	7,351	6,679	6,306	7,032	6,902	+252
Africa	6,191	5,607	5,705	7,272	7,708	7,740	7,235	7,760	7,543	+1,352
Europe	250	318	324	395	433	505	549	639	504	+254
Total free world	69,493	59,463	50,610	54,820	67,923	65,830	64,053	62,515	63,028	−6,465
Communist area	12,488	9,885	9,715	17,000	17,236	16,670	17,750	17,155	17,162	+4,674
Total world	81,981	69,348	60,325	71,820	85,159	82,500	81,803	79,670	80,190	−1,751
Estimated	------	------	------	------	------	------	------	------	------	------

Source: ICAC.

Population estimates

[Millions]

Area	1936	1949	1952	Percentage increase over 1936	
				1949	1952
North America	140.4	164.7	173.0	17	23
United States (including Armed Forces)	128.2	149.2	157.0	16	22
Canada	12 2	15.5	16.0	27	31
Latin America	121.5	159.1	170.1	31	40
Northwestern and Southern Europe	275.4	301.5	308.4	9	12
Eastern Europe and U. S. S. R. (estimated)	282.0	290.0	302.0	3	7
Asia (excluding China)	719.3	858.7	894.0	19	24
Africa	126.9	149.2	156.6	18	23
Oceania	10.5	12.2	13.1	16	25
World total (excluding China)	1,676.0	1,935.0	2,017.0	15	20

Cotton, per capita consumption by area and selected countries

[Pounds]

Area and selected country	1938	1948	1949	1950	1951	1952	Percent change over 1938	
							1949	1952
United States	21.4	29.3	23.6	27.1	31.3	27.0	10	26
Canada	13.7	17.2	17.6	17.9	20.1	15.4	28	12
Latin America	6.4	6.8	6.6	6.4	6.4	6.2	3	−3
Argentina	10.6	13.2	13.4	12.8	12.6	13.7	------	------
Brazil	7.7	7.7	7.5	7.5	7.5	6.8	------	------
Costa Rica	5.3	4.6	4.6	5.5	4.2	4.2	------	------
Mexico	6.4	6.6	5.7	5.5	5.5	5.5	------	------
Venezuela	4.8	6.8	4.8	3.5	4.2	4.2	------	------
Northwestern and southern Europe	8.8	8.2	8.4	9.5	9.9	8.8	−5	------
Austria	9.2	2.6	4.8	6.2	6.4	6.4	------	------
Finland	9.5	6.6	6.0	7.9	9.2	11.7	------	------
Italy	4.4	6.2	6.8	6.4	6.4	6.8	------	------
United Kingdom	17.0	13.9	13.9	15.4	16.3	13.2	------	------
Eastern Europe and U. S. S. R	6.8	4.6	5.5	5.5	6.0	6.4	−19	−6
Asia	4.2	3.1	3.1	2.6	3.1	3.5	−26	−17
India	4.0	4.8	4.8	3.3	3.5	4.2	------	------
Pakistan		1.8	2.4	3.3	3.1	3.1	------	------
Japan	14.6	2.2	1.8	2.4	5.5	7.7	------	------
Syria and Lebanon	9.9	5.3	6.2	5.7	5.7	7.1	------	------
Africa	2.4	2.6	2.6	2.6	2.9	2.9	8	21
Oceania	8.4	9.5	10.8	9.3	11.0	11.0	29	31
World average	6.4	6.0	5.7	5.7	6.4	6.4	−11	------

3-year moving average of cotton acreage in 12 major cotton-producing countries

[1,000 acres]

Country	1947–48, 1948–49, 1949–50	1948–49, 1949–50, 1950–51	1949–50, 1950–51, 1951–52	1950–51, 1951–52, 1952–53	1951–52, 1952–53, 1953–54	1952–53, 1953–54, 1954–55
MAINLY AMERICAN TYPES						
Mexico	1,059	1,412	1,806	2,000	2,014	1,947
Brazil	4,333	4,633	4,967	4,967	4,533	4,333
Argentina	1,093	1,147	1,219	1,281	1,357	1,396
Pakistan	2,886	2,859	3,083	3,285	3,257	3,073
India	11,374	12,674	14,309	15,482	16,306	17,240
Turkey	666	866	1,149	1,454	1,575	1,522
Syria	59	107	266	396	443	419
Congo	750	774	821	865	896	905
MAINLY EGYPTIAN TYPES						
Sudan	398	457	513	575	613	651
Egypt	1,518	1,767	1,953	2,049	1,824	1,685
Peru	341	366	399	453	494	511
Uganda	1,407	1,573	1,561	1,507	1,533	1,603

Rayon filament yarn and staple fiber production

[Equivalent thousand bales [1]]

Region and country	1934–38 average	1948–50 average	1951	1952	1953
World total	3,279	6,784	9,480	8,435	9,746
United States	654	2,651	3,045	2,673	2,816
Foreign countries	2,625	4,133	6,435	5,762	6,930
France	162	393	539	386	478
Germany, West	593	618	964	751	882
Germany, East		245	508	581	n. a.
Italy	465	440	677	399	551
United Kingdom	294	689	880	640	957
Japan	834	353	868	951	1,226
U. S. S. R.	41	135	213	[2] 1,224	[2] 1,286
Other	236	1,260	1,786	830	1,550

[1] Assumed 425 pounds of rayon equivalent to 500-pound bale of cotton.
[2] Includes Eastern Europe.

AFTERNOON SESSION

Executive Session

Senator EASTLAND. The meeting will come to order. If agreeable, a statement by Secretary Butz will be filed in the record at this point.

(The statement referred to is as follows:)

STATEMENT FILED BY ASSISTANT SECRETARY OF AGRICULTURE EARL L. BUTZ

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you to discuss the title I program.

Title I of Public Law 480 is one of the valuable tools authorized by the 83d Congress for moving our surpluses abroad in a constructive manner.

It enables us to move part of these surpluses to friendly foreign countries without endangering our normal markets or the basic price stability of world markets. American agriculture has been at a disadvantage in seeking world markets because of the effects of the rigid price support program and the restrictions that have been placed by purchasing countries on imports of dollar commodities. Title I gives us an assist in partially overcoming these obstacles.

DESCRIPTION OF LAW

Title I authorizes the President, until June 30, 1957, to carry out a program for the sale of surplus agricultural commodities for foreign currencies under agreements with friendly nations or organizations of friendly nations. In negotiating agreements, the President is required to take reasonable precautions to safeguard usual marketings of the United States, and assure that sales will not unduly disrupt world prices. He is also required to provide for the use of private trade channels to the maximum extent practicable, and to obtain assurances that the commodities will not be resold to other countries without specific approval. Friendly nations are to be afforded maximum opportunity to purchase surplus commodities from the United States, and the program is to be so utilized as to develop and expand continuous market demand abroad for agricultural commodities.

The funds and other assets of the Commodity Credit Corporation are to be used to finance export sales of surplus agricultural commodities held in the Corporation's stocks or under price support loans and privately owned stocks of commodities not held by it. Also even though the Corporation is in a position to supply the commodity itself, the exportation of privately owned stocks may be financed if the private exporter acquires from CCC the same commodity of comparable value or quantity.

The foreign currencies which accrue under the program may be used for: (1) development of new markets for United States agricultural commodities; (2) purchase of strategic and critical materials for a supplemental United States stockpile; (3) procurement of military equipment, and defense materials, facilities and services for the common defense; (4) financing the purchase of goods or services for other friendly countries; (5) promotion of balanced economic development and trade; (6) payment of United States obligations abroad; (7) loans to promote economic development and multilateral trade; (8) financing international educational exchange activities.

Any department or agency of the Government using any of the currencies for any purpose for which funds have been appropriated must reimburse the CCC in an amount equivalent to the dollar value of currencies used. To the extent the Corporation is not thus reimbursed by other agencies, an appropriation is authorized to make payment to the CCC not to exceed $700 million for the Corporation's investment in the commodities used under the act, including processing, packaging, transportation and handling costs, and for costs incurred in financing the exportation of commodities. No commodity agreements can be entered into under this authority after June 30, 1957.

DELEGATION OF AUTHORITY

Executive Order No. 10560, September 9, 1954, delegates authority vested in the President for administration of Public Law 480. Primary responsibility for sales for foreign currencies is assigned to the Secretary of Agriculture and to him are delegated all functions conferred upon the President by title I of the act which are not delegated elsewhere by that order. Other functions conferred upon the Presidency by title I are delegated as follows:

(a) To the Secretary of State—the functions of negotiating and entering into agreements with foreign countries;

(b) To the Director of the Bureau of the Budget—the function of fixing the amounts of foreign currency accruing under the act to be used for each of the purposes authorized by the act and authority to waive the requirement that other appropriations be used to cover grants and not less than 10 percent of foreign currencies acquired;

(c) To the Director of the Office of Defense Mobilization—the function of determining the materials to be purchased for a supplemental stockpile; and

(d) To the Director of the Foreign Operations Administration—the function of determining the manner in which loans of foreign currency for the promotion of economic and trade development shall be made.

Functions involving the use of foreign currencies are assigned by the order as follows:

(a) The Department of Agriculture—to help develop new markets for United States agricultural commodities;

(b) The Office of Defense Mobilization—to purchase or contract for the purchase of strategic and critical materials for a supplemental stockpile;

(c) The Department of Defense—to procure military equipment, materials, facilities, services for the common defense;

(d) The Foreign Operations Administration—to finance the purchase of goods and services for other friendly countries, to promote balanced economic development and international trade, and to make loans to promote multilateral trade and economic development;

(e) Authorized agencies—to pay United States obligations abroad; and

(f) The Department of State—to finance international education exchange activities.

The Secretary of the Treasury is authorized to prescribe regulations concerning the purchase, custody, deposit, transfer, and sale of foreign currencies received under the act.

INTERAGENCY RELATIONSHIPS

As is apparent from the foregoing, the Agricultural Trade Development and Assistance Act is a complex law combining different purposes, affecting many aspects of both our domestic and foreign economic policies, and involving activities by several departments and agencies. These facts make it imperative that the administration of the act be effectively coordinated. Accordingly, the President directed, by letter dated September 9, 1954, that there be established an Interagency Committee on Agricultural Surplus Disposal "to assist the agencies concerned in bringing into harmonious action, consistent with the overall policy objectives of the Government, the various agricultural disposal activities vested in them by, or assigned to them pursuant to, the act." It was directed that the committee should be composed of a representative of the White House Office as Chairman and one representative of each Government department or agency designated by the Chairman. The Chairman was made responsible for advising the President concerning policy issues. The committee now consists of the Chairman, Mr. Clarence Francis, and representatives, at the Assistant Secretary level, of the Departments of Agriculture, Commerce, Treasury, and State; the Foreign Operations Administration; and the Bureau of the Budget.

The President's letter of September 9 also stated that he expected the Secretary of Agriculture "to assure the effective coordination of day-to-day operations through appropriate interagency relationships." To achieve such coordination, the Secretary of Agriculture has established a staff committee chaired by the Administrator of the Foreign Agricultural Service of the Department of Agriculture and consisting, in addition, of staff-level representatives of agencies on the Interagency Committee on Agricultural Surplus Disposal, and representatives of the Department of Defense, the Office of Defense Mobilization and the Export-Import Bank. This staff committee is responsible for consideration of specific proposals for sales and for working out the provisions of agreements.

POLICIES

We recognize that title I is a temporary device to be used in combating problems resulting from currency inconvertibility and discrimination against dollar trade. While foreign currency sales are useful in the present situation, they should not be regarded as a cure-all to the surplus problem. We cannot afford to lose sight of the fact that the bulk of our agricultural export trade is handled by our private commercial firms without governmental financial assistance of any kind. Primary emphasis must continue to be directed to sales for dollars based on our ability to deliver quality merchandise at competitive prices.

Let us turn now to a review of the major policies we have adopted in the administration of title I.

SUPPLEMENT TO NORMAL TRADE

The Congress has wisely provided that foreign currency sales are to be in addition to normal United States sales. Dollar sales are obviously preferable to foreign currency sales. This means that in developing commodity programs under Title I we must carefully analyze trade statistics, the financial position of the country concerned, and other pertinent data to determine the level of sales we might reasonably expect in the absence of a title I program. In some cases we have checked our judgment on this matter with the trade groups concerned. Usual United States marketing commitments are obtained wherever appropriate. In the Japanese program, such commitments are provided for all commodities in-

cluded in the program. Observance of the usual marketing requirements is an essential part of the agreements entered into with the foreign governments.

NOT A DUMPING OPERATION

Title I is being administered so as to avoid undue disruption of world market prices. We have no intention of dumping our surpluses on world markets thereby endangering basic price stability. Our continued stake in these markets is too vital to countenance adoption of an indiscriminate disposal policy. On the other hand, we firmly believe that the orderly liquidation of our accumulated surpluses is as essential to the interests of other producing countries as it is to us. Therefore, in administering the title I program we are attempting to program the maximum amount of commodities which can be moved without displacing usual United States marketings or upsetting world prices. In some cases the commodities are to be used to expand reserves, in others to meet expanded needs arising from crop failures, in others to expand consumption, and in others to regain or establish new markets for our agricultural commodities.

We regard title I as a sales program, not a giveaway. We are receiving foreign-currency payments for all commodities sold. As a matter of policy, none of the currencies are being made available to the importing countries on a grant basis. We are attempting to obtain a maximum dollar and resource return to the United States consistent with the purposes of the law. At the same time we are carefully weighing the longer term marketing advantages to American farmers of the use of foreign currencies for loans to promote economic development and multilateral trade. The terms of these loans require repayment either in dollars, strategic materials, or in foreign currency with standard interest rates. Foreign currency repayments may be used to meet any expenses of the United States Government.

All sales of agricultural commodities under the program are made by the private United States trade. These sales are made on the same price basis as apply to dollar sales.

EMPHASIS ON ACCUMULATED SURPLUSES

In the development of programs we have been giving primary attention to the disposal of surpluses owned by the Government or under price-support programs. This emphasis stemmed largely from the fact that these items were in the most critical surplus position, and that since the Government already had funds invested in them, their use would require less new expenditure of funds than commodities not held by the Government.

PROGRAMING

The safeguards and standards contained in the law necessitate careful planning of country programs. In many cases friendly governments have taken the initiative in suggesting programs for our consideration. In the initial stages the two most important factors in the development of programs are the proposed commodity composition and foreign currency use. Frequently informal negotiations on these two points precede the start of formal negotiations.

Utilizing the services and experience of agencies represented on the Interagency Staff Committee on Agricultural Surplus Disposal, the Department of Agriculture takes the lead in the review and development of proposed country programs. These country programs are reviewed by the Interagency Committee and in the event of disagreement any member has the right of appeal to the Francis committee. I would like to say for the record that when the program first got underway last fall, the Foreign Operations Administration gave unstintingly of its time and services in program development work.

After the programs are approved by the committee, formal negotiating instructions and a draft agreement are prepared. The Department of Agriculture and the Department of State take the lead in the preparation of these documents. The Foreign Operations Administration has also for several countries in which it has major program responsibilities given us a strong assist in the preparation of negotiating instructions.

These instructions also are reviewed by the committee. After review, the State Department which has responsibility for negotiations transmits them to the appropriate United States Embassy. Under the Ambassador's direction,

generally field representatives of the Department of Agriculture and FOA conduct the negotiations leading to signing of the agreement.

In some instances negotiations are carried out in Washington between an interagency team, headed by the Department of State, and representatives of the foreign government.

OPERATION OF PROGRAM

After a formal agreement has been entered into with a foreign government, purchase authorizations are issued to such government by the Department of Agriculture. These authorizations specify the kinds, approximate quantities, and maximum dollar values of the commodities and the conditions under which purchases may be made. At the same time, public announcements are made containing details of the authorizations and other information that United States suppliers will need in making sales to the foreign importers.

Following issuance of these announcements, sales are made through United States private trade channels. Importers and United States exporters follow normal trade practices and use regular banking channels and methods. Normal commercial procedures, based largely on letters of credit, are followed in carrying out the contracts. Importers pay for commodities in local currency through their local banks. Suppliers are paid in dollars by United States banks with which the foreign banks have established dollar letter-of-credit arrangements and the United States banks are reimbursed by CCC. The foreign currency purchase price of the commodities is deposited to the account of the United States Government in accordance with arrangements made between the Governments of the United States and the importing country.

PROGRAM RESULTS

Agreements have been signed with four countries—Turkey, Yugoslavia, Chile, and Peru—totaling $74 million at export market value including ocean freight financed by the United States and $114 million in CCC costs.

As of February 24, 18.2 million bushels of wheat, 3.4 million bushels of barley, and 3.4 million bushels of oats have been purchased for export under the Yugoslav and Turkish programs. Further, about 11 million bushels of this grain have already been exported. Also Yugoslavia has purchased about 41,000 bales of cotton.

We had expected to be able to implement a $29.4 million program for Pakistan by this time ($31.4 million at CCC cost). However, technical difficulties on one of the commodities included has temporarily delayed implementation. We are sure this difficulty will be ironed out promptly permitting the whole program to go forward.

Additional programs under negotiation bring the total to $453 million at CCC cost. In addition we are now developing programs for 5 or 6 new countries which could add $30 million to $40 million to this total depending on whether all of the programs now under negotiation are completed.

Public Law 480 was enacted primarily for the benefit of American farmers. We are using it to help move price depressing surpluses of farm products into use. As they move into use, storage and other costs are reduced and there is a strengthening effect on prices.

STATEMENTS OF HON. EARL L. BUTZ, ASSISTANT SECRETARY OF AGRICULTURE; WILLIAM G. LODWICK, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE; AND RAYMOND A. IOANES, ASSISTANT DIRECTOR, FOREIGN TRADE PROGRAMS DIVISION, FOREIGN AGRICULTURAL SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

Senator EASTLAND. Mr. Lodwick, identify yourself for the record, please.

Mr. LODWICK. My name is William G. Lodwick. I am the Administrator of the Foreign Agricultural Service of the Department of Agriculture.

Senator EASTLAND. What is your background, Mr. Lodwick?

Mr. LODWICK. Well, my first job in life was a greaser boy in a coal mine.

In later years, I worked my way through 2 colleges and after 2 years in the Marine Corps, became a lawyer and practiced law in Chicago for some 25 years.

Through some 20 years of my law practice I was identified with the operations of many variegated kinds of farming.

In 1939 I retired from my practice and spent all of my time farming in Iowa until 1950. In 1950 I accepted an appointment from the State Department as an adviser to HICOG in Germany, where I was for approximately a year, agricultural adviser.

In 1951 I was a member of the Joint Brazil-United States Economic Development Commission, also an appointee of the State Department as the agricultural member of that Commission.

In 1953, later in the year, I was appointed by Governor Stassen as agricultural adviser to the Government of Pakistan. I returned from that assignment in June 1954, and in July I accepted the present appointment.

Senator EASTLAND. What do you have to do with the administration of Public Law 480?

Mr. LODWICK. Insofar as the Department of Agriculture is concerned, I am actively in charge of it. Also, I am chairman of an interagency staff committee that was created by the appointment of representatives of various agencies of the Government as advisers. Those agencies, as near as I can recall, consist of Export-Import Bank, ODM, Defense, Budget, Treasury, State, FOA, and Commerce.

Senator EASTLAND. What is the Francis committee and what are its functions?

Mr. LODWICK. The Francis Committee is a committee the chairman of which, Mr. Francis, was appointed by the President as liaison between the departments and himself to keep him informed on the disposal of our surplus commodities in all its phases.

He organized a committee at the Assistant Secretary level, composed of the agencies that I have previously described, except Defense, ODM, and Export-Import Bank, which are not members.

It is a policy-making committee and also acts as a sort of court of appeals for differences that might arise in the interagency staff committee of which I am chairman.

Senator EASTLAND. What are the duties of your staff committee?

Mr. LODWICK. Our staff committee receives, in the first instance, proposals from whatever sources they may come for the sale of surplus commodities. These come to that committee from governments, sometimes from individuals, from other agencies of the United States. This committee analyzes them from all agency viewpoints, and then the various viewpoints are considered and an effort made to reconcile whatever differences may be present.

Having done that, a negotiating team is appointed which, by agreement, is chaired by the State Department. FOA and Agriculture have members, and sometimes 1 or 2 of the other agencies, but the 3 first mentioned must be members.

Senator EASTLAND. What has been the attitude of the State Department in the administration of 480? Have they been cooperative?

Mr. Lodwick. The attitude of the State Department, as expressed in various papers, toward Public Law 480 differs considerably from that of Agriculture.

As the Senators know, it is a rather large encompassing piece of legislation. There is a great deal of language in it and, naturally, each one takes the language that he thinks applies to him and which is to his advantage.

Senator Eastland. Wait a minute, Mr. Lodwick. Seven hundred million dollars is authorized to be spent under Public Law 480, is it not?

Mr. Lodwick. Yes.

Senator Eastland. Now, you got requests from foreign countries to buy our surplus farm products in what amount?

Mr. Lodwick. As of today, $700 million.

Senator Eastland. $700 million.

There was a ceiling put on there of $453 million this fiscal year, was there not?

Mr. Lodwick. There was first a ceiling of $400 million.

Senator Eastland. Yes, and it was later raised.

Mr. Lodwick. And it was later raised to $453 million.

Senator Eastland. I want to ask you a number of questions about that ceiling.

Who was it that advocated a ceiling in the first place? Was it not the State Department?

Mr. Lodwick. In the first instance I think it was the State Department, and later joined by Budget and Treasury and Commerce.

Senator Eastland. But it was at the instance of the State Department?

Mr. Lodwick. That is my best recollection.

Senator Eastland. They first advocated a ceiling of $300 million, did they not?

Mr. Lodwick. That was the first figure used.

Senator Eastland. The first figure that State used?

Mr. Lodwick. I am not sure who used the figure, but it could have been State or it could have been someone else at the meeting. I am not sure.

Senator Eastland. Then it was raised to $400 million over the objection of the State Department?

Mr. Lodwick. I am inclined to believe that is correct.

Senator Eastland. If it had not been for that ceiling we would have twice the exports of wheat and dairy products and cotton as we now have. Is that an accurate statement?

Mr. Lodwick. I would have to take the figures and see what projects Agriculture had advanced and then compute from that what the difference was.

We had a number of programs cut down that involved large quantities of wheat and large quantities of cotton.

Senator Eastland. You had a program to export dairy products. I want to know whether or not the State Department took the position that the United States had not historically exported dairy products, except skimmed milk, and therefore we should not export any dairy products except skimmed milk under 480.

Mr. LODWICK. Approximately that statement was made on several occasions by a represenative of the State Department in connection with export sales of butter on a bid basis.

Senator EASTLAND. Where was our offshore Army buying butter at first?

Mr. LODWICK. Earl, you can answer that best. You were at that meeting.

As I recall, it was Denmark, Holland, and New Zealand.

Mr. BUTZ. Mostly Denmark, as I recall. This was for the Army in Western Germany.

Senator EASTLAND. The Department of Agriculture desired to sell that butter from our surplus stocks, did they not?

Mr. BUTZ. Yes, sir.

Senator EASTLAND. What was the position the State Department took?

Mr. BUTZ. As I recall, the initial position was that they would have to examine the impact that would have on our friendly nations abroad who were then currently selling butter.

Senator EASTLAND. Did they resist?

Mr. BUTZ. Yes, sir.

Senator EASTLAND. And who decided it against them?

Mr. BUTZ. That was a ruling from the Francis committee.

Senator EASTLAND. That was Mr. Francis?

Mr. BUTZ. Yes, sir.

Senator EASTLAND. Now, Mr. Lodwick, go into your wheat dealings with the State Department.

Mr. LODWICK. In the Japanese case I think we asked for a program of $130 million.

Senator SCHOEPPEL. 130 million bushels?

Mr. LODWICK. Dollars. They were all commodities.

One suggestion was made that it be 60 million, another that it be 80, and it was finally made 85.

Mr. LODWICK. The various suggestions were 60 from State Department and 80 from FOA.

Senator EASTLAND. While we are talking about an Asiatic country, has the State Department taken the position that the United States, with a big rice surplus, should not export rice to a single Asiatic country?

Mr. LODWICK. I have not heard a statement that broadly made.

Senator EASTLAND. All right, what was it?

Mr. LODWICK. In the case of Japan we felt, after a thorough study of the Japanese crop conditions, their food conditions, their supplies, and all of that, that they should buy a minimum of 200,000 tons of our rice for dollars. We also felt that they should buy 100,000 tons for yen.

The State Department opposed the first one on the basis that Japan was a market for Thailand, Burma, and Formosa rice, and appealed the decision when in our committee it was decided against them.

Another committee, the Francis committee, decided against them. They appealed it and it lost.

Senator EASTLAND. Decided by the President?

Mr. LODWICK. Decided by the President.

The Japanese agreed to the 200,000 American tons for dollars and 100,000 tons for yen, and on that basis an agreement was drawn up.

It has not been signed as of this date for other reasons. The Diet is having an election this week, our Saturday, and we do not anticipate the agreement will be signed until the new Diet meets some time in March.

In reducing the program from $130 million to $85 million, we did reduce by about 125,000 bales the amount of cotton, and we did reduce by about 150,000 tons of wheat.

(At this point Senator Eastland left the hearing room.)

Senator YOUNG. You reduced it by that much?

Mr. LODWICK. Yes.

Senator YOUNG. How much did they, or will they, finally get?

Mr. LODWICK. About 350,000 tons of wheat and about 175,000 bales of cotton.

Senator YOUNG. Were there any dairy commodities involved? Any other farm commodities?

Mr. LODWICK. Mr. Ioanes will give those figures.

Mr. IOANES. There were included in the program, Senator, wheat, barley, rice, tobacco, and cotton, and we did make an attempt to put some dairy products into the program but we did not succeed.

That was our own fault. We just cannot sell the Japanese on the idea of having any dairy products.

Senator YOUNG. The Japanese did not want any dairy commodities?

Mr. IOANES. They did not want any part of them.

They are not too familiar with butter in Japan. The production is very small and the market is small. They just refuse to accept any butter in the deal and they refuse to accept nonfat solids.

Mr. BUTZ. Is it not fair to state, though, that the pressure to reduce the amount of commodities in the Japanese program was exerted primarily to be able to include some other countries under the established ceiling?

Mr. IOANES. I would say this much: The fact that a ceiling was contemplated was the reason. Japan was the first country that raised the question of a ceiling.

That program probably would have been about $130 million. It was at that time there was first talk about the need for a ceiling to save enough money for other countries.

Senator YOUNG. And this food was in exchange for Japanese yen?

Mr. LODWICK. Yes.

Senator YOUNG. We have plenty of use for their yen, have we not? We can use them in lieu of dollars; can we not?

Mr. IOANES. To a certain extent; yes, sir. The program we negotiated did provide for those United States uses which were a hard use of yen. There was also provision in the program for a loan to Japan of a substantial amount of yen.

Senator YOUNG. Mr. Chairman, if they are finished with Japan, I would like to ask some questions about Italy.

Senator SCOTT. Do you have any questions on this, Senator Schoeppel?

Senator SCHOEPPEL. No, I think not, if the gentleman has concluded.

Mr. LODWICK. I believe I have.

Senator YOUNG. What were the figures on Italy? Did they not request a large purchase of our surplus commodities under Public Law 480?

Mr. IOANES. In the case of Italy, sir. they asked for a program to total about $60 million and, because of the ceiling, the program we have offered them is approximately $40 million.

Senator YOUNG. Cut to 40?

Mr. IOANES. Yes.

Senator YOUNG. What foods will that mostly consist of?

Mr. IOANES. Primarily, sir, it will be cotton and what, in that order.

Senator YOUNG. And they wanted 60 million?

Mr. IOANES. Yes.

Senator YOUNG. Were there any other countries that requested surplus foods under Public Law 480 and were cut down?

Mr. IOANES. Yes; a number of others. Brazil asked for 500,000 tons of wheat and 6,000 tons of butter. It was cut to 220,000 tons of wheat and 1,000 tons of butter.

In the case of Peru, they asked for 8 million and it was reduced to 5.

In the case of Chile, the request was approximately 13 million and was reduced to 7, I believe.

Senator SCHOEPPEL. You are speaking of dollars?

Mr. IOANES. I am talking about dollars.

Senator YOUNG. Was there any particular reason given by the State Department for limiting the ceiling to such a low figure?

Mr. LODWICK. There were many reasons given by other agencies of the Government, including the State Department.

Budget is fearful that we might be banging up against the debt ceiling. Treasury has that same fear. Commerce has the feeling that possibly, if we get too energetic, we might interfere with some of the industrial trade or that we might supplant some of our dollar transactions with Public Law 480 transactions.

Those are varying views that we have. FOA usually has been sympathetic with our position. But we have had material reductions in the quantities to be sold to those countries.

Senator YOUNG. Does your committee handle the barter arrangements on farm surpluses?

Mr. LODWICK. No; we do not.

Senator YOUNG. Who handles that?

Mr. LODWICK. Commodity Stabilization handles those.

Senator YOUNG. Do you know whether there was a ceiling of disposal under barter arrangements?

Mr. IOANES. No ceiling. As a matter of fact, sir, the program has gone in the opposite direction. It as boomed.

The activity so far this year has been more than equal to the activity over the past 5 years, and CSS expects that for the balance of this year the total will run to about $200 million, which will be about twice all previous activity since the program has started.

Mr. BUTZ. I think the committee should know that in the case of these countries whose requests have been reduced by the committee, it is conceivable that in the absence of a ceiling some of those requests would have been reduced voluntarily by the committee because the committee is always careful that 480 sales do not displace what would otherwise be the normal dollar transactions. Obviously, many countries would rather have it for their own currency than for dollars.

Senator YOUNG. That is understandable.

Senator SCOTT. Do you have any further questions?

Senator YOUNG. Japan has a very limited supply of dollars.

Mr. LODWICK. One of the reasons we were willing to go as high as we were in the Japanese deal was that Japan was the biggest buyer of agricultural products that we had in the foreign field outside of Canada, and after going over their figures we came to an agreement with them that they would buy not less than $300 million worth—and use dollars—of agricultural commodities, and that this Public Law 480 was in addition to their dollar purchases. And that was one of the incentives we had for making that deal, that is to protect the market we now have.

Now, their surplus of dollars has dropped from 800 million to 5 because of the withdrawal of the United States troops.

I am corrected that Japan is our No. 1 market for agricultural products. And we were protecting that market. That was the reason we were willing to go as high as we were.

Senator YOUNG. It is difficult for me to understand why we have so much trouble with these ceilings under this rather small program when only a few years ago we used to give away billions under the ECA program. And we get something in return this time, some foreign currency which we can probably make use of.

The State Department, the Treasury, and Commerce you said objected to it partly on the grounds that we were reaching our debt ceiling limit.

Of course, when we get rid of these surpluses we relieve the burden of the Commodity Credit Corporation. They are taken out of Commodity Credit Corporation stocks, is that right?

Mr. BUTZ. That is right.

Of course, I think part of the feeling arose from the fact the $700 million appropriation was for a 3 year-period, and I think some of these people did not want to see it all dissipated the first year.

Senator YOUNG. Is there any reimbursement to his fund?

Mr. LODWICK. Yes.

Mr. BUTZ. You might explain the Japanese deal, for example, which was a very good one, I think, with a lot of reimbursement.

Senator YOUNG. And you can use the funds over again?

Mr. LODWICK. It is a revolving fund, once we get it revolving. We have not completed the circle yet to where it starts revolving, but eventually it will.

You see, in the beginning, as you can naturally understand, there were many views. One view was that Congress meant that the $700 million was to last us for 3 years. Our view was that Congress asked us to sell commodities within the restrictions set forth in the law that we would not disrupt world markets and that sort of thing. All the safeguards were put in there. Within that sphere it was our job to sell as many of these commodities that we could sell at the earliest possible date without disrupting markets and that sort of thing. We undertook to do so.

The first question was the one that Secretary Butz has raised just now, it was a 3-year deal. We could not see that, so we asked for a legal opinion and the legal opinion said that—these are not the words of the legal opinion, they are my words—that if we could wave a magic wand and dispose of these surpluses in 30 days, we were still within the desire and will of Congress.

Senator SCHOEPPEL. I will concur in that 100 percent because it was discussed on too many occasions to allow of any dispute or controversy.

Senator YOUNG. Senator Schoeppel, were you not the main sponsor of Public Law 480?

Senator SCHOEPPEL. Yes; I was. And the 3-year limitation was put on there, as a matter of fact, because we wanted to place the emphasis on getting rid of those surpluses which are the most troublesome factor in the entire agricultural economy of this country.

We were confronted, from time to time, with additional appropriations and additional funds to add to those surpluses, and we wanted to get rid of them as quickly as possible.

Mr. LODWICK. Well, it was finally decided and agreed that the 3-year limitation was an estimate on the part of numerous people as to the time it would take to use up the $700 million. Whether it was good or bad I do not know, but we proceeded to use it up a lot faster than that. And that was one of the things that brought about the discussion on ceilings.

The Japanese program was large, the United Kingdom program was large, and the Pakistan and Yugoslav programs were large and took up a very large percentage of the $700 million. So then some of the agencies involved made a piece of pie and they cut it into little pieces and attempted to ration, and did to some degree, what each country could obtain.

Our idea was that we were to sell and sell and sell, and if we needed more money we would come up to Congress and ask for it. There was time enough to talk about ceilings when we had exhausted our sales resources or our supplies, neither of which we did.

Senator YOUNG. I think the policy you were following was in the best interests of economy too. If we could dispose of the surplus commodities of the Commodity Credit Corporation, some of which are perishable and some for which the storage costs are high, then you are acting in the best interests of economy.

Mr. LODWICK. Well, there were divergent views on the subject, Senator. And the ceiling was put on and then we started cutting up this piece of pie in smaller pieces to take in more countries and eliminate some countries entirely. Naturally, we quit working with the countries that were left out entirely.

There were differences of opinion as to what country should be on the list or should not be and in what volume they should be. Agriculture approached it from the standpoint of what countries offered us the best opportunity for permanent trade. We always approach it from that standpoint. It is our philosophy that we use these surpluses to build up new markets, expand old markets, regain old markets, and maintain our current markets, within the confines of the rules as set forth in the law. We look upon ourselves as competitors with other countries in the products that we produce and that are produced by other countries. We think we are competitors and that is the position we want to be in. And that has been the philosophy behind our actions.

Other departments have troubles too, and we recognize them. We recognize that it is perfectly natural for a dairy-producing country to scream if we sell some butter to some country that they either have sold some to or think they are going to some time.

Senator SCOTT. Or wheat.

Mr. LODWICK. Or wheat. Either one. That is normal. And we look upon that as just the natural sequence of business. However, other parts of the executive Government have a different problem. They have to answer those squawks that they get and naturally they take us to task for having caused them. There is where the difference comes in.

Another difference in philosophy is that we look upon this as a sales deal and it is our job to get back every dollar we can get, as fast as we can get it.

There are other divisions of our Government that feel that this is an aid program; that where the law says in the preamble, "In furtherance of the foreign policy of the United States," that that means that we should give this to people with no strings attached to it. And there are occasions where we are in absolute accord with the other divisions of our Government that, for the welfare and the security of the United States, it is advisable to give away large portions of these surpluses with no hope of return.

Senator SCHOEPPEL. I would like to ask this question at this juncture: With reference to the giving away, there was a provision put in the bill that permitted the President, as I understand it, or some of the departments, to use a certain amount that could be used in that manner.

Mr. BUTZ. That is title II.

Mr. LODWICK. Title II. We call it the disaster fund. But for some of the agencies title I was a better vehicle for giving it away than title II.

Mr. BUTZ. I think, Senator, there is some limitation on how you can use title II. It is for disaster and not for diplomatic purposes.

Senator SCHOEPPEL. That is right.

Mr. IOANES. I think an example of where title I was used in the way Mr. Lodwick has suggested is in the case of Yugoslavia, where there was a strong diplomatic angle that I think everybody has heard about that was involved in that whole transaction, and I think it was one of the key factors of getting that political issue settled, and I think it was a great credit to our Government.

Senator SCHOEPPEL. It was somewhat related in there.

Mr. LODWICK. Yes. It was part of the trading stock that our negotiators had.

Senator YOUNG. Do you feel, Dr. Butz, or either one of you can answer, that we will be building up any permanent markets by the use of funds under Public Law 480?

Mr. LODWICK. Yes, we do; we very definitely do.

Mr. BUTZ. Yes.

Senator YOUNG. I think you would, too. I think one of the witnesses this morning did not think we would.

Mr. BUTZ. Yes, we are, Senator. In each case part of the currency generated is set aside for market promotion and market development. We have got a lot of latitude in the way this is going to be used. We are trying to promote farm markets abroad on a continuing basis with these funds.

Mr. IOANES. Could I say a word there?

Mr. BUTZ. Yes.

Mr. Ioanes. We have quite a few countries in the world where we have difficulty putting our products because of bilateral trade arrangements where price is not a factor. That is particularly true of certain South American countries, and a program like the one we have in Brazil in our opinion definitely helps us establish a market for American wheat.

And in countries which are not satisfied with trade relationships under bilateral agreements we certainly have an opportunity under title I to build some market for the future, and I think the program we are negotiating with Brazil now is a good example of that.

Mr. Lodwick. Peru and Chile are the same. This goes a little further than that, and I think I should explain that to you.

We are allowed certain sums of currency out of these various transactions for trade development. And to show you how that has grown, we can now tell you that the Cotton Council has appointed a representative and a staff to take up headquarters in Paris and work all over Europe to advertise and promote the use of United States cotton.

Now, our part in that comes where we supply some of the local currency to the Cotton Council and its counterpart in the foreign country to carry on these advertising campaigns and these demonstrations and these promotional deals.

In the case of Florida citrus, they have appropriated $50,000 for that same purpose, and we will do the same thing with them. It may be trade fairs; we are working on trade fairs right now where we will lease the space and the industry itself will set up the exhibits in the various fairs.

The California fruitgrowers have recently hired a man solely for the foreign promotion of their product. We hope other groups will follow suit, and we in turn will use some of the local currency that we obtain from these sales for that purpose.

Now, there again I say we are developing permanent trade. It is not Government trade. Those are individual people. Then, through our attachés and through the embassies, we negotiate with these various countries to knock down some of the trade barriers that they have put up in one way or another. It may be a slight concession on our part or any of the things you do in horse trading to get our products into that country on a fair basis.

Now, those things are going on continuously, but I mention those three to show you how rapidly this growth is taking place.

Senator Schoeppel. This is practically the first time that that approach has been shown to have been advocated with anything like the vigor that you folks are showing; is that right?

Mr. Lodwick. Well, I am rather new, Senator, in this business. I do not know. But as far as I can learn by asking people, it is the first time it has ever been done.

Other industries—for example, the wheat people—are working on an exhibit now for some of these fairs, where they will take different kinds of wheat and bake certain kinds of bread that belong to the country. They may be long loaves or rolls or this, that and the other, to show what can be produced from our wheat.

There are other industries that are doing the same thing, but I cannot recall them offhand.

We think that we are developing permanent trade when we teach people in these countries to use American products and also teach

them how to use them, whether it be by demonstrations, by schools, by advertising, or how. But we do insist that in all these cases the local people in the country, the merchants and the importers and all those people, be an integral part of the plan, otherwise we would not put any money in it. And it is taking hold.

Now, that to us has a great effect on building up permanent trade. We want to get them accustomed to using our products, and when we do that we think we are building up foreign trade.

Senator SCHOEPPEL. Yes, and on a much more permanent basis than we have heretofore experienced.

Mr. LODWICK. That is what I mean by permanent trade.

Senator SCHOEPPEL. Mr. Chairman, I would like to ask another question here that goes back to some of the policy we hear about.

You may know about it in more detail and in a more accurate way.

When they put these quotas on or suggested these quotas, whichever department made the suggestion, did you find, in your experience, a very great tendency on the part of some of the other departments to give some of the other exporting nations the first call on what we could have had the right to move into?

In other words, if they vetoed it was there a tendency to veto it all the way down the line, or were you given to understand that we had reciprocal rights when some of these other nations that we are associated with in various capacities moved into new areas or new trade territories?

Mr. LODWICK. Well, there is a thing called prior consultation, and I believe that is what you are referring to.

Senator SCHOEPPEL. That is what I am after.

Mr. LODWICK. It has been insisted by some that we had to do it. Agriculture opposed it, and it has never let up. Finally, as I understand it, I was out of the country at the time but as I understand it, an agreement was made—check me on this, Ray—that we would consult with other countries about the individual transactions before they were actually signed, provided the other countries did the same thing and provided that it was practicable. And I believe that is where the matter sits today, except that upon inquiry, within the week or 10 days, we have no record of any other country ever reciprocating on that basis. But in the transactions that we now carry on, competing countries are notified of the transactions before they are signed.

Senator YOUNG. As a result of that procedure, do you know of any definite programs or sales that we could have made that we lost?

Mr. LODWICK. Purely on that basis, Senator, I do not know of any. I have heard rumors of one that took place before I came on the scene, but they are only rumors.

Senator YOUNG. That is the reason I asked you the question.

Mr. LODWICK. I do not know of any transactions that we have lost on that basis.

Senator YOUNG. May I ask another question?

Senator SCOTT. Yes.

Senator YOUNG. Were there any other countries besides Spain and Italy and Yugoslavia that got surplus commodies under 480?

Mr. LODWICK. Yes.

Senator YOUNG. Would you give the countries and state the amount that they were finally allowed and what they asked for?

Mr. BUTZ. Perhaps you can insert that in the record.

Mr. IOANES. We can insert the amount that is now under negotiation and we could also check our previous negotiations.

Mr. BUTZ. I think he has the amount under negotiation, but not the amount that was requested.

Mr. LODWICK. A few of them we know, but to have a complete list, Senator, I think we would have to prepare it.

Senator YOUNG. Do you have information on the amount each country requested?

Mr. LODWICK. Yes.

Senator YOUNG. Could you insert that?

Mr. LODWICK. Yes, and the amount they wound up with.

Senator YOUNG. That would be fine.

Mr. LODWICK. Those are the three things you are interested in?

Senator YOUNG. Yes.

Are we getting rid of any sizable amount of surpluses to any of the other countries of Western Europe?

Mr. IOANES. Well, there are programs under negotiation with quite a few European countries, and an agreement has been signed with Yugoslavia, as the committee knows.

The total amount of money involved in those programs is about $300 million.

Senator YOUNG. When we sell any dairy products to Italy under the program, do we first have to get permission or the approval of Denmark and Holland and New Zealand before we go ahead?

Mr. LODWICK. They are consulted prior to that time.

Senator YOUNG. Are you required to do it?

Mr. LODWICK. We are as of today.

Senator YOUNG. Is that true of wheat? If we wanted to sell wheat to Italy under the program, who do you have to consult with?

Mr. LODWICK. Australia, Argentina, and Canada.

Senator YOUNG. If Canada sells any wheat to Brazil, is there any requirement that they consult with us?

Mr. LODWICK. No, sir.

Mr. BUTZ. They are supposed to under our reciprocity agreement, but in practice it is not done. Is that right?

Mr. LODWICK. I will accept the Secretary's statement. They are supposed to, but in practice they do not.

Senator YOUNG. It seems to me that in time of war and emergency we provide foreign countries with all the food and requirements they want and we expand our industry way out of proportion in order to help them, and when there is a little surplus we are supposed to take it on the chin. It seems to be a one-way street.

Mr. IOANES. If it is appropriate, sir, I would like to make one cautioning statement.

Senator Schoeppel, as you know, since you had so much to do with the writing of this law, this law has many facets to it. There are many things that have to be done before you sign an agreement.

Senator SCHOEPPEL. That is right.

Mr. IOANES. It is not an easy thing to negotiate an agreement. I have sat in on some of our negotiations and it is time-consuming and it is difficult.

We not only have to face agricultural problems, we have to work our currency arrangements that protect the interests of the United

States, we have got to protect our usual markets, we have got to, in some cases, ask for export controls, and a lot of other things that I will not burden you with.

We want to make as good a record as we can of completing as many agreements as we can and as fast as we can, but with reasonable terms in these agreements so that we are not running a giveaway program.

Now, I made this speech to lead up to this subject: you have asked for a statement about the quantities of commodities that countries have asked for and what they were finally allocated. In most cases the programs for these countries are still under negotiation. It would be, in my judgment, disastrous if these figures were released publicly at this time.

Mr. BUTZ. That is right.

Mr. IOANES. Let us not do anything here that goes into the record that would make our negotiating job more difficult. In my judgment, if we put this in the record and it got out so that the whole world knew where we were negotiating and what for and in what amounts, it would not help us.

Senator YOUNG. I would suggest you give those figures to the chairman and request that he put them under lock and key.

Mr. IOANES. And many of the countries we have identified today we have never publicly acknowledged we are negotiating with because it would hurt us in our negotiations.

Senator SCOTT. Talking about Canada and Canada supposedly letting us know what she is doing but does not while we are putting everything on top of the table as far as she is concerned in trading wheat, is it still good policy for us to tell Canada if she is not going to do it?

Mr. LODWICK. We do not think so; Agriculture does not think so.

Senator YOUNG. Mr. Chairman, they do not have any acreage-reduction program as we have. There is not attempt to curtail production that I know of in Canada.

Mr. BUTZ. They have virtually State trading in the export market. It gives them virtually a monopoly control of prices and they can sell at practically any price they want to, as I understand it.

Senator YOUNG. That is the way I understand it. They set an arbitrary price for domestic consumption and a lower one for exports.

(Discussion was continued off the record.)

(Whereupon, at 3:10 p. m., the committee adjourned.)

DISPOSAL OF AGRICULTURAL SURPLUSES—COTTON

EXECUTIVE SESSION

MONDAY, FEBRUARY 28, 1955

United States Senate,
Subcommittee on Disposal of Agricultural Surpluses
of the Committee on Argiculture and Forestry,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10 a. m., in room 324, Senate Office Building, Senator James O. Eastland presiding.

Present: Senators Eastland, Scott, Young, and Schoeppel.

Also present: Sam A. Thompson and Roy Hendrickson, advisers to the subcommittee.

Senator Eastland. The committee will come to order, please. Sit down, Mr. Waugh.

STATEMENTS OF HON. SAMUEL C. WAUGH, ASSISTANT SECRETARY OF STATE; WILLIAM V. TURNAGE, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL FINANCIAL AND DEVELOPMENT AFFAIRS; AND FRANCIS A. LINVILLE, ASSISTANT CHIEF, INTERNATIONAL RESOURCES DIVISION, OFFICE OF INTERNATIONAL TRADE AND RESOURCES, DEPARTMENT OF STATE

Mr. Waugh. Thank you.

Senator Eastland. Please identify yourself for the record.

Mr. Waugh. Samuel C. Waugh, Assistant Secretary of State for Economic Affairs. My home is in Lincoln, Nebr.

Senator Eastland. What is your business?

Mr. Waugh. I am on leave of absence from the First Trust Co. of Lincoln, Nebr. I have been connected with the company for 40 years. I am now listed as an absentee director. I am not active.

Senator Eastland. What are your duties in the State Department?

Mr. Waugh. I am concerned entirely with the policy matters regarding economic and particularly the foreign economic affairs as related to the domestic picture.

Senator Eastland. You represent the State Department in the administration of Public Law 480?

Mr. Waugh. Yes, sir. That is my primary, one of my primary responsibilities.

Senator Eastland. Are you a member of the Francis Committee?

Mr. Waugh. Yes, sir.

Senator Eastland. You may proceed, unless there are some more questions to qualify him.

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Mr. WAUGH. All of my business life I have lived in an agricultural community. During the 40 years I have been connected with the First Trust Co., of Lincoln, Nebr., from which I am now on leave, the very life's blood of our corporation has been based primarily on agriculture. My years of service covered the agricultural depression following World War I, the years of the unprecedented drought in the 1930's and the subsequent and unprecedented rise in productivity and land values.

Therefore, I am familiar with the problems of agriculture and appreciate this opportunity to appear before your subcommittee, and to tell you something of the views and the activities of the Department of State in this most important field.

The great importance of international trade is well recognized by American agriculture. We know that international trade is vital. World trade must not be merely maintained, it must be expanded.

Upon my first return to the Middle West in June of 1953, after I was sworn in in June 1953, I made the public statement that on the domestic front, in my opinion, one of the most important problems confronting the administration, and second only to our fiscal policy, was the problem that had developed through the accumulation of agricultural surpluses. I repeated that statement in the first interagency committee held in the fall of 1953, under the chairmanship of Under Secretary Morse of Agriculture.

The State Department has a major responsibility in this field. We are earnestly seeking international political stability and military security. To forward these objectives we hope a number of economic measures will be adopted by the current Congress.

Secretary Dulles recently expressed the Department of State's views on one essential part of this problem when testifying in support of H. R. 1.

H. R. 1, we trust, will receive the enthusiastic support of the Congress for, in our opinion, the passage of this legislation will bring about a condition throughout areas of the free world which will aid in expanding trade with direct beneficial results to United States exports.

The passage of H. R. 1 is exceedingly important, but it is by no means the only measure by which the Department of State is cooperating in an effort to expand markets. Our efforts are directed to solving foreign exchange problems, working toward the convertibility of currencies, as well as encouraging measures to stimulate private foreign investment.

Senator EASTLAND. Let me tell you again that I heartily favor H. R. 1, in fact, I believe in free trade, but do you think that in the reciprocal trade agreement program, that the agreements that have been negotiated have been primarily in the interests of agriculture, or primarily in the interests of industry?

Mr. WAUGH. I think that the agreements that are in the process of being negotiated or will be negotiated are.

Senator EASTLAND. I am speaking about in the past. I said "have been."

Mr. WAUGH. Well, I would say both, Senator.

Senator EASTLAND. I am going to disagree with you. I think they are primarily to help industry.

Senator YOUNG. If I may interrupt, is it not a fact that agricultural exports have dropped, while industrial exports have increased in this connection?

Mr. WAUGH. Agricultural exports today are about the same percentage of the total exports that they were several years ago.

Senator EASTLAND. A lot of that is under the give-away program and not by virtue of trade where countries can sell goods here and earn the dollars.

Mr. WAUGH. I left out that portion in making my percentage estimate that has to do with the military program but I was just taking the straight export on the basis of approximately $3 billion for agriculture now and $12 billion for all exports, excluding the military program.

Senator YOUNG. Would you give us a breakdown of agricultural exports now and give us the figures for the past 10 years in exports?

Mr. WAUGH. Yes, sir.

Senator EASTLAND. I think our imports of agricultural products have greatly increased; would you also give us those figures?

Mr. WAUGH. Yes, sir.

Senator EASTLAND. I can understand that we import a great deal more in agricultural commodities than we export at the present time, and there is some increasingly unfavorable trade balances so far as agricultural commodities are concerned.

Mr. WAUGH. Yes; I will get both of those figures for you.

Senator EASTLAND. In other words it appears that we are certainly importing more of the beef, for example, than we ever have before. We have canned beef and things like that. And our exports of cotton and wheat have greatly decreased in the last few years. I do not suppose we are exporting as much in fruits as we were a few years ago. So, if we are exporting agricultural commodities, certainly it is not in the commodities in which we are in trouble here.

Mr. WAUGH. I will get those figures, both exports and imports, for the last 10 years. I thought I had the statement that was recently made with reference to the percentage of agriculture exports as compared with the percentage of total exports but I do not have the table with me. I can give it to you offhand, but I think you would rather I give you the exact figures on it.

Senator EASTLAND. Yes, sir. Thank you.

(The figures referred to follow:)

United States imports and exports and trade in agriculture products, 1943–54

[In millions of dollars]

Year	Exports, total	Imports, total	Agricultural products	
			Exports	Imports
1943	12,965	3,381	2,095	1,513
1944	14,259	3,929	2,133	1,818
1945	9,806	4,159	2,294	1,709
1946	9,738	4,942	3,173	2,318
1947	15,325	5,756	3,957	2,760
1948	12,653	7,124	3,473	3,149
1949	12,051	6,622	3,576	2,897
1950	10,275	8,852	2,873	3,987
1951	15,020	10,962	4,040	5,164
1952	15,201	10,717	3,431	4,519
1953	15,774	10,873	2,848	4,184
1954	15,073	10,207	[1] 2,702	3,970

[1] 11 months.

United States agricultural imports, 1943–53 [1]

[In millions of dollars]

Year	Coffee	Raw silk	Cane sugar	Total	Wool	Total oil seeds	Cocoa and cocoa beans
1943	320	------	210	226	------	63	40
1944	313	------	242	191	------	40	51
1945	405	51	169	284	------	32	51
1946	541	61	303	257	------	113	103
1947	657	12	359	265	------	148	190
1948	710	16	368	226	------	108	156
1949	870	8	348	320	------	93	133
1950	1,373	22	414	699	------	127	216
1951	1,340	24	404	446	------	69	180
1952	1,396	33	426	358	------	64	160
1953	1,620	28	438	239	------	65	200

[1] Year beginning July 1, major commodities.

United States agricultural exports, 1943–53 [1]

[In millions of dollars]

Year	Wheat and wheat flour	Cotton	Tobacco (unmanufactured)	Grain sorghums	Corn including cornmeal	Lard including neutral	Rice milled
1943	70	142	152	------	15	146	34
1944	95	184	235	5	22	139	35
1945	585	417	275	4	23	75	53
1946	892	591	324	30	223	85	75
1947	1,364	331	205	27	78	90	97
1948	1,307	807	225	59	148	86	81
1949	695	944	235	38	165	68	73
1950	784	935	273	102	204	95	98
1951	107	1,189	327	118	160	124	141
1952	686	571	285	21	227	52	145
1953	450	674	300	12	188	70	152

[1] Year beginning July 1, major commodities.

Mr. WAUGH. Against this general background, it is both strange and disturbing to hear remarks being voiced publicly to the effect that the Department of State disregards the interests of the American farmer, interests which in fact we are serving every day of the year.

Senator YOUNG. Who do you have in the Department that you could call an authority on agricultural matters who has spent his life in agriculture?

Mr. WAUGH. You mean in farming?

Senator YOUNG. Yes.

Mr. WAUGH. Well, I do not think we have anybody who has spent his life on farms. We have men such as Mr. Turnage who was born in Mississippi who has been with the Government as an economist in this particular field.

We have a number of men who have worked in Government but I do not think we have what you and I would call a dirt farmer.

Senator YOUNG. You have never selected anyone from the farm organizations to represent farmers in the Department?

Mr. WAUGH. Only having been in 20 months I would not know, sir, do you know whether we have?

Senator YOUNG. I do not know of a single person in the State Department that has been selected by any of the farm organizations to represent farmers on these important questions.

Do you know of any over there?

Mr. WAUGH. I can tell you, sir, that I would be delighted to have an agricultural economist recommended by the Farm Bureau to work with us.

Senator YOUNG. I think what we should have is that. I am glad you added that last recommendation by a farm organization. There are a lot of economists, farm economists that I think are unacquainted or unsympathetic with agriculture.

Because they call themselves farm economists does not mean that they are acquainted with agriculture or agricultural problems.

Mr. WAUGH. We want people who are acquainted with agricultural problems. There is no misunderstanding of our position on that. We would be delighted to have them.

Senator YOUNG. I think you ought to make a start over there sometime in getting agriculture represented. All of us would look much more friendly toward reciprocal trade agreements and other problems of the State Department if we had someone over there that we could look to as a real friend of the farmers. I do not mean that you are not a friend of the farmers but your background has not been that of farming. I do not know anyone else over there that has a farm background.

Senator EASTLAND. Who do you have down there that knows anything about American cotton?

Mr. WAUGH. We have one man who spends practically all of his time on cotton. He has just returned from a cotton council meeting. He has made long reports and that is Stanley Nehmer.

Senator EASTLAND. You do not mean the cotton council knows the farmer's position?

Mr. WAUGH. I might say to you that at one time I thought the cotton council represented the farm people but I am becoming a little confused in my own mind in the last month or so since I have gotten into the cotton problem. I thought they did represent the farmers as one of their segments.

Senator EASTLAND. Yes; they have the Cotton Advisory Committee in the Department of Agriculture; 7 men, of which number 2 are shippers, whose primary business is in Latin America, and who desire to hold American cotton export prices at artificial levels so that they can expand production in that country. They put a New York banker on there who is a banker for Anderson Clayton & Co., and in addition, they put one of the leading textile manufacturers of the country on it, and whose Washington representatives say he went on there especially to prevent a cheaper export price for American cotton than one that prevailed in this country. That was 4 of the 7 men on that committee. I want to ask you this question now. Mr. Nehmer is probably a good man. Of course I do not think in all seriousness that you would tell this committee that he has any practical views at all on cotton, you would not make that statement, would you?

Mr. WAUGH. I do not think he is a dirt farmer. I said that.

Senator EASTLAND. What does he know? He has been in Government all of his life?

Mr. WAUGH. Yes, sir.

Senator EASTLAND. Don't you think you ought to have some cotton advisers down there who are men that know something about the business, and men that know something about moving it in export channels?

Mr. WAUGH. Yes, sir. We will be glad to have them.

Senator EASTLAND. You have them

Mr. WAUGH. You mean on the committee?

Senator EASTLAND. You have some men. That committee that came up here last week is a joke. You have some cotton advisers down there, haven't you, and your cotton advisers are the same men that the Department of Agriculture has, or that they had; they no longer represent the Department. They no longer constitute the advisory committee in the Department of Agriculture.

Mr. WAUGH. Well, I confess that coming from a State between Kansas and North Dakota, that I am not authority on cotton but when I came in here I thought the cotton council was representative of all branches of the cotton business.

Senator EASTLAND. That is correct; then, it gets to a question of who controls it?

Mr. WAUGH. I do not know about that. The group that came up had one cotton producer.

Senator EASTLAND. That is right. How many was on that group?

Mr. WAUGH. There were 8 that came to see me of which 7 were on the cotton council, 1 was an executive. Maybe there were 9, 2 executives. One was the man who is going to Europe to develop markets there and the other man who is going to take over the Washington office.

Senator EASTLAND. One cotton producer among them?

Mr. WAUGH. Of the seven, I think.

Senator EASTLAND. 7 to 1.

Mr. WAUGH. No. I think one cotton farmer, there were some large producers.

Senator EASTLAND. No; there was not.

Mr. WAUGH. I was thinking of people like Anderson Clayton being producers.

Senator EASTLAND. Producers where?

Mr. WAUGH. I am not—producers?

Senator EASTLAND. That is the point where producers—of course, Anderson Clayton knows more about the cotton export business than any firm in the world, and Mr. Fleming, who is on that committee, is a very fine man. American farmers are more intelligent than Latin American farmers and they buy cotton in Latin America and the Latin American countries at much greater profits than what they can make in this country. Therefore, they have largely financed the competitors of the American cottongrowers. Did you know that?

Mr. WAUGH. I have heard that statement made, yes, but I am sure, Mr. Chairman, that as a member of this committee, you would not want the Department of State to get into the role of dictating as to who the National Cotton Council or the American Farm Bureau Federation——

Senator EASTLAND. Of course not. I think you should make a notation of the point, that you ought to have some cotton advisers, men who advise the State Department on its world cotton policies whose primary interest is the American cotton producer. Of course, you should give every segment a square deal. And give the American farmers a break. You haven't got that. I am not going into the record here on

anything that transpired in my office, but you, Mr. Turnage, and Mr. Nehmer came to my office.

Mr. WAUGH. Yes, sir.

Senator EASTLAND. And those gentlemen discussed those cotton advisers that you had in my office; did they not?

Mr. WAUGH. Yes, that was after they had been appointed, that was after the meeting at the National Council.

Senator EASTLAND. No, sir, no, sir. You were in my office before that.

Mr. WAUGH. We were?

Senator EASTLAND. Before the Convention of the National.

Mr. WAUGH. I am confused because it was your office at one time and Mr. Whitten's office at the other time.

Senator EASTLAND. You may proceed. Let me ask this first. Do you have some cotton advisers?

Mr. WAUGH. You mean domestic producers?

Senator EASTLAND. No; who advises the State Department on its cotton policies?

Mr. WAUGH. Well, I would say that we look to the Department of Agriculture and work very closely with them. I hope we can and do.

Senator EASTLAND. You sent some trade missions to other countries, did you not?

Mr. WAUGH. No; those were sent by the Department of Agriculture, but certified by the State Department. They were all chosen by the Department of Agriculture.

Senator EASTLAND. Who did you have?

Mr. WAUGH. In Geneva? You mean Lamar Fleming. He was not there as a cotton man. He was there as a member of the Randall Committee. Cola Parker and Lamar Fleming were members of the Randall committee together with the two Congressmen. Congressman Cooper, Congressman Simpson, and Senator Gore were in Geneva and Senator Carlson was scheduled to go but because of his being tied up on the McCarthy hearings here, he could not go. Lamar Fleming was not there as a cotton adviser.

Senator EASTLAND. You may proceed, sir.

Mr. WAUGH. We want the American farmer to compete in world markets. We want the world markets to be expanded. We favor legislation by the Congress and action by the executive branch which will help bring this about.

Now, let me refer to a few more specific matters. The State Department aggressively favored the enactment of legislation to permit $1 billion worth of agricultural products to be made available for export on special terms over a 3-year period. In fact, the decision to recommend a 3-year program to the Congress was reached by an interagency group meeting in my office.

Mr. Belcher, representing Budget, Mr. Burgess, representing Treasury, Under Secretary of the Treasury Homer Guenther, representing the White House, William Rand at that time, since retired, Deputy to Mr. Stassen, FOA, Mr. Morse, Agriculture, and myself, constituted the group.

I personally, think excellent progress has been made under Public Law 480, which embodies this basic idea. On September 9, 1954, the President issued an Executive order, providing for the orderly ad-

ministration of Public Law 480. The foreword to Public Law 480 states:

> To increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes * * *.

Senator EASTLAND. How much money is authorized, or what is the authority in what total amount to sell agricultural products under Public Law 480?

Mr. WAUGH. 700 under title I, 300 under title 2.

Senator YOUNG. Million?

Mr. WAUGH. Yes.

Senator EASTLAND. What is title 2?

Mr. WAUGH. Title 2 is the area in which the relief is given and not sold.

Senator EASTLAND. Yes, sir. There is a ceiling placed upon operation of Public Law 480 under title I, that is the $700 million?

Mr. WAUGH. Yes, for 3 years. That was congressional action.

Senator EASTLAND. No, the ceiling for this fiscal year.

Mr. WAUGH. The ceiling for this fiscal year was an agreed agency position of $453 million.

Senator EASTLAND. All right.

Mr. WAUGH. I am coming to that.

Senator EASTLAND. I want to find out what is behind that, who is behind that ceiling.

Mr. WAUGH. Do you mean who decides it?

Senator EASTLAND. No, sir. What agency advocated a ceiling for this fiscal year? That ceiling is the sole reason we are not exporting tremendous amounts of cotton and wheat this year under Public Law 480.

Mr. WAUGH. I think that the people who advocated the ceiling were Treasury, Budget, Commerce, and State.

Senator EASTLAND. Yes, sir. As a rule, it was the State Department, was it not?

Mr. WAUGH. Not any more than anyone else, sir. Treasury and Budget were just as vitally interested.

Senator EASTLAND. How much did the State Department advocate as the ceiling this fiscal year?

Mr. WAUGH. $400,000.

Senator EASTLAND. Wait a minute.

Mr. WAUGH. $400 million.

Senator EASTLAND. Was it not $300 million?

Mr. WAUGH. No, sir.

Senator EASTLAND. Didn't the State Department suggest $300 million?

Mr. WAUGH. That was before the law ever went into effect. The State Department and FOA made an estimate as to what they thought might well be done under this method of disposing of agricultural surpluses, and it was $300 million a year for 3 years and when it was finally recommended it was a billion dollars for 3 years. That was in the early stages of the discussions before the law had ever taken effect.

Senator EASTLAND. Before it had taken effect?

Mr. WAUGH. Before it was ever submitted to Congress in fact.

Senator EASTLAND. The State Department wanted $300 million for this fiscal year. After the law was enacted the State Department then advocated $400 million, it that correct?

Mr. WAUGH. It is not a matter of advocating.

Senator EASTLAND. That is what I just want you to answer——

Mr. WAUGH. I am going to tell you just as frankly as I can how this came up. When we made the estimates as to where these surpluses could be disposed of, without going into Korea, we estimated that $300 million could be disposed of by this method a year over 3 years. FOA made a separate estimate and came up with an estimate of a little lower than that amount.

Senator EASTLAND. What did the Department of Agriculture want?

Mr. WAUGH. They had no recommendations, no figure at all at that time. Not the slightest.

Senator EASTLAND. Let us go to the $400 million. You advocated, the State Department did, after the law was enacted, a ceiling of $400 million?

Mr. WAUGH. Yes, sir.

Senator EASTLAND. All right. There were requests in that would run in excess of the $700 million?

Mr. WAUGH. For the first year.

Senator EASTLAND. For the first year?

Mr. WAUGH. Yes.

Senator EASTLAND. And there were programs that could have been negotiated that would have taken over $700 million the first year?

Mr. WAUGH. That is a very serious question, because the requests that came in originally, and I think this is a very, very important and fundamental point——

Senator EASTLAND. Yes, very fundamental.

Mr. WAUGH. The requests that came in were on the basis that Public Law 480 was a giveaway program. It was never our thought—in the Department of State—that it should be a giveaway program. We thought we should sell and not give away. And our biggest problem today is getting the people to pay under the terms of the law for what we are shipping to them. There was never any thought that we should use Public Law 480 as a giveaway program.

Senator EASTLAND. I know, but didn't the Department of Agriculture think that they could negotiate agreements that would use the $700 million this year?

Mr. WAUGH. That statement has never been made in any committee meeting I have ever heard.

Senator EASTLAND. Then how was it raised from $400 million to $453 million? Was that at the request of the State Department?

Mr. WAUGH. That is correct. No, not at the request of the State Department. I will tell you how it was handled. We had this $400 million ceiling. We thought $400 million the first year out of $700 million was somewhere near the congressional intent to sell for local currency. If you have $700 million for 3 years, we thought $400 million, if we could negotiate these deals for the first year, would be a good showing. When the six agencies got together, and analyzed the countries' programs that had been suggested, it came to just a little under $453 million.

Senator EASTLAND. The decision to make it that figure, was Clarence Francis' decision and he also was the one who made it $400 million.

Mr. WAUGH. The State Department made neither decision but we voted for both and we were enthusiastic for going up to the $453 million when we found that could be handled properly.

(Discussion was continued off the record.)

Senator EASTLAND. Let me ask you this question. What is the policy of the State Department in regard to sales made under Public Law 480 for foreign currency as to whether they will be considered as our markets in the future for sales for dollars, or will they, the increased sales under Public Law 480, still be considered as markets for other countries

Mr. WAUGH. Public Law 480 sales, by that you mean assuming that Public Law 480 sales will be discontinued at one time?

Senator EASTLAND. Yes.

Mr. WAUGH. Then the question is: Whether or not that will establish a precedent for future sales in the countries in which we are now.

Senator EASTLAND. Yes.

Mr. WAUGH. I do not know how it will work out.

Senator EASTLAND. Ask him the question.

Mr. WAUGH. Ask me again.

Mr. THOMPSON. What I had in mind, we will be using some of the currency capturing a part of the markets.

Mr. WAUGH. That is a concessional sale.

Mr. THOMPSON. To supply the additional needs that these people have that they would have bought if they had dollars but we are taking their currency. Once these sales are established under 480, will we consider that they are our sales? Will we consider that we will go back to the former sales?

Mr. WAUGH. I have never had the question asked and I have never given it any thought. I see your point.

Mr. THOMPSON. Wasn't the purpose of Public Law 480 that we capture markets for agricultural products?

Mr. WAUGH. That was not the original conception. I think that it is what it is developing into, yes. When we started our study originally before it was enacted into law that was not the conception. The original conception was to get rid of the agricultural surpluses which were about $6 billion. That has since come up, yes.

Mr. THOMPSON. I was thinking that was the thinking of the Department of Agriculture, that we would be able to capture some markets with these currencies at the time we were disposing of agricultural surpluses. That we would build further markets because of the fact that they will use a great deal of these currencies in those countries to develop markets with.

Mr. WAUGH. I think there are two parts to your question. To divide this into two questions: 1, whether or not you will maintain the markets in the future after you have stopped selling for soft currencies, I think that is a price factor. But the second point and I think the point that you are getting at is the point that I believe is an exceptionally strong point, that is, that if this soft currency is used within these countries for development, that they will then be in a better position to buy from us as a result of these sales for soft currency, is that correct?

My answer is that presents a real potential possibility.

Mr. THOMPSON. What I am asking is what is going to be the policy of the State Depatrment? We sell these commodities for the soft currencies. We take those currencies and use them in those countries to develop markets. Are those markets going to be ours, or are they going to be given to somebody else to supply? After we paid for them will they be ours?

Mr. TURNAGE. I do not know how you can stake a claim on a market unless you meet the competition in the future. What is it that you have in mind?

Mr. WAUGH. He brought up another point that I did not get the first time. The third point that is in his question that certain of this money that would be used for development in the country is the point that has been brought up again just last Friday, that you will use it to develop markets from within the country.

Then you ask whether or not that market will belong to the United States, or what position of the State Department will be in that.

(Discussion was continued off the record.)

Mr. WAUGH. That is a situation we have never gotten into. I would not want to commit myself. I have never thought of it in that way. I have thought of it on the overall development of markets. We are going to develop markets in these countries.

Mr. THOMPSON. Will you utilize them after we develop them?

Mr. WAUGH. You bet your sweet life on it. The American businessman and shipper will get his share of the market. I cannot imagine the State Department having any other policy than by saying it is his market on a competitive basis. We will all be competitive.

Mr. THOMPSON. That gets back then to this thing of whether or not other countries are going to subsidize the capturing of that market that we develop. Would we be in a position to compete with them or let them take these markets away from us as they have done in Brazil?

Mr. WAUGH. It gets down to the question of subsidization of markets by both us and other countries.

Senator YOUNG. When you say we are entitled to these on a competitive basis, I do not think that means anything. There really is not any competition any more. That is as we used to know it. Most of the food that moves in world trade now is by nation to nation deals, it is by barter arrangements and through subsidies.

It looks as if we will have to get in there and fight for these foreign agricultural markets. That is all the more reason I think you should have someone over in the Department who comes straight from one of our farm organizations, who knows this thing.

Mr. WAUGH. I agree with you that we will have to fight for the markets. It will be a highly competitive field we will be working in. I think we can do it. I am perfectly willing as I said before to follow your suggestion on the agricultural economics proposition. I would like to have good men.

Mr. THOMPSON. Let me ask this question then if I may: You mentioned competitive markets. In cotton we are expecting the producer to provide the competition while the producer in Brazil does not supply the competition. It is the subsidy of the government that they attach to it, this is compeitive with the American producers' price. Instead of the American Government matching resources with the Government of Brazil to provide a competitive price. In order for

us to maintain the position that we have within the Government, the producer makes the payment through controlled production, which takes away from him the income that he feels he is entitled to because he is off the market.

When we speak of competition, who is doing the competing there? The American producer against the Government of Brazil, or against the producer in Brazil?

Mr. WAUGH. On these deals under Public Law 480 they are all Government contracts. To that extent we have to be very careful in handling this government-to-government contract we are not doing it on the basis that will ruin our domestic markets in the prices that we get for our products here.

I feel that the more we can handle through the hands of private traders, the better off we are.

Senator EASTLAND. That is not what he asked you.

Mr. THOMPSON. You have put them in private contracts in this country through private trade channels. The American producer is directly in competition with the Government of Brazil that is subsidizing their cotton and can capture our markets as we know it has. We have backed out of these markets through acreage control programs in this country. As they take our markets—the producer in this country is the man who is losing and doing the competing while the Government of Brazil captures our markets through subsidization for their producers. They are expanding their production.

Mr. WAUGH. We are expanding our production and they are contracting now.

Senator EASTLAND. You are wrong about that.

Mr. WAUGH. I do not mean by acreage. I do not mean that.

Mr. TURNAGE. I think all of this points up to the necessity ultimately for the whole world to consume more of these products as a means of its resolution.

Senator EASTLAND. Then what about these wolves that go in and use their government to steal your market? We are faced with the proposition from our Government that we cannot meet them on equal terms. Our Government will not help us to meet that price that their government fixes.

Mr. TURNAGE. I am rather puzzled about this. As I said, we have not objected to any specific commodity transaction——

(Discussion was continued off the record.)

Mr. WAUGH. On January 10 of this year the President submitted to the Congress his first report on the administration of the act, a copy of the President's report is submitted for the record. This report stated that programs were being prepared which would provide for transactions involving $453 million worth of commodities under title I alone during this fiscal year. This is a substantially greater amount than has been initially anticipated. Let me make it crystal clear that the State Department supports these programs.

Sixteen agreements are in various stages of development, they add up to $453 million; 4 have been completed. Another will be completed as soon as the commodity composition can be finalized. Seven agreements are under active negotiation and negotiations on the remaining four are expected to begin within a matter of days. Moreover, having made this very substantial start involving 16 countries and $453 mil-

lion, the Interagency Staff Committee is now working on new program proposals for 5 or 6 additional countries.

It is true that a rather considerable amount of time and energy are usually required to complete the negotiation of an agreement. This is not the fault of the procedures. The fact is that a number of difficult questions must be resolved between us and the other government before either side can commit itself. Among these questions are the following:

(1) Commodities to be included.

(2) Proportion (or amounts) of the local currency to be used for each of the various purposes listed under section 104 of the act.

(3) Exchange rate problems including the rate at which the transaction will take place, maintenance of value of local currency held by the United States, and maintenance of value of the local currency obligation resulting from loans under section 104 (g).

(4) Terms of loans under section 104 (g) and degree of supervision by the United States of the uses to which loan funds are put.

From the very nature of these problems it can be seen that government-to-government agreement is absolutely essential. The time consumed in reaching agreement is influenced principally by the degree to which our proposed terms are considered favorable to the recipient. In general, the more favorable the terms, the sooner agreement can be reached. The time consumed is also influenced by the urgency of the need of the recipient for the delivery of commodities.

The State Department favors emphasis upon the underdeveloped areas as the most constructive way in which Public Law 480 can be used. It is in the underdeveloped areas where conditions are most favorable for creating new markets. Per capita levels of consumption are very low. The needs for additional external resources to promote investment are very great. Rising incomes from expanded investment and employment would be translated to a relatively large degree in increased demand for food and textile products.

Senator EASTLAND. If you are going to limit the act to underdeveloped areas, you are checking cotton out from any benefit that would result from it.

Mr. TURNAGE. That is not meant to be a limitation.

Mr. WAUGH. That is correct.

Senator EASTLAND. Go ahead.

Mr. WAUGH. At the time of approving this act, President Eisenhower stated:

> The United States will seek in cooperation with friendly countries to utilize its agricultural surpluses to increase consumption in thoes areas where there is demonstrable underconsumption and where practical opportunities for increased consumption exist or can be developed in a constructive manner. The United States will attempt to utilize such opportunities in a manner designed to stimulate economic development in friendly countries.

In furthering this constructive attitude toward the use of our agricultural surpluses the mutually beneficial features of Public Law 480 were stressed in a statement I made before the representatives of the Colombo plan countries in their annual meeting last October at Ottawa. In particular, I pointed out the opportunity made possible by Public Law 480 to obtain consumer goods and long-term loans of local currency to facilitate development and avoid inflation. A copy of this statement will be made available for the record.

I cannot too strongly emphasize that in our opinion the greatest potential for expanding markets lies in the economic development of presently underdeveloped areas.

Just because we support a large, healthy export trade in agricultural products, however, I do not wish anyone to conclude that the Department supports each detail of every proposal that has been made. There are ways to expand our export trade that are good. There are other ways that would cause grave harm to our country. This was recognized by the Congress when it was enacting Public Law 480. It was recognized by the President in his statement of September 9, 1954, regarding policies to be followed in surplus disposal. It was pointed out that care must be taken to avoid the undue disruptions of world prices. We must keep in mind that we have a most serious international responsibility in the field of agricultural products. Our surpluses are so large and our resources so great that care must be taken that our methods of disposal do not interfere with our own normal private trade to the ultimate disadvantage of our farmers. Nor do we wish prices to be forced down to such a point as to be harmful both to our own direct interests and to the interests of friendly countries, many of which depend on agricultural exports to a much greater extent than we do.

The President expressed a basic principle when he said that—

> the United States will not use its agricultural surpluses to impair the traditional competitive position of friendly countries by disrupting world prices of agricultural products.

In order to maintain the partnership with other countries of the free world on which our national security depends, we must not use our great financial resources to dump surplus products on the world market and thereby disrupt the world prices and economies of our partners. Such a policy might so weaken the economies of some of our allies that we would jeopardize their ability to contribute effectively to the security of the free world.

(Discussion was continued off the record.)

The Department of State has the primary responsibility within the executive branch for advising, in interagency councils, regarding the foreign policy aspects of proposed methods of surplus disposal. The Department is often in a position to advise on the terms of sales which would be most likely to result in a satisfactory agreement. In cases where, after careful analysis, it is concluded that a proposal would be contrary to our national interest because of its effect on our foreign relations and would be inconsistent with the specific guidelines which have been laid down by the President, it is our duty to say so. This is our duty to the President, the Congress, and the American people.

One of the State Department's responsibilities, as the agency of the Government primarily responsible for United States relations with other governments, is that of keeping in touch with friendly governments regarding problems arising from the disposal of agricultural surpluses. In order to allay fears arising out of uncertainty we have favored discussion with interested exporting countries of the extraordinary transactions proposed under title I of Public Law 480. Our willingness to enter into discussions concerning specific transactions has been described to other countries by an American spokesman as follows.

(Before it was made, it was cleared with every Department of Government, including agriculture.)

Shortly before a specific agreement is concluded under Public Law 480 the United States through the Department of State will provide an opportunity to discuss the commodity composition of that agreement with representatives of other countries exporting these commodities. I would be less than honest if I failed to point out that such discussions are unlikely in most cases to result in changes in the program under discussion. On the other hand, if we have done our work well and if the proposed transaction is properly understood, there should be nothing in it to alarm third countries.

Furthermore, during the discussion we may receive suggestions which will be helpful in any future negotiations with the same importing country. We hope that as a result of our discussions representatives of our exporting countries will be able to alert their governments as to the imminence of an agreement before it is announced to the public.

The discussions described above are sometimes called "prior consultation." They certainly do not amount to a "prior clearance." Consultation is not designed to hamper proposed transactions and, in fact, has not done so. On the other hand, consultation has helped to clear the air of misunderstanding and misinformation. It has helped to set to rest fears which understandably arise as a consequence of the existence of such large stocks and of the very broad authority of Public Law 480.

This is with reference to the Canadian sale of wheat to Brazil.

Senator EASTLAND. We will get to it this afternoon and go into that then.

Mr. WAUGH. Do you want it on the record now?

Senator EASTLAND. I will ask you some questions about it then; I think you are right about it. I would rather wait until afternoon.

Mr. WAUGH. There is not the slightest evidence that has ever come to my attention that consultation with other governments has ever interfered with the conclusion of any transaction under Public Law 480 or under section 550 of the Mutual Security Act of 1953 which preceded it.

We are living in an extremely sensitive age, and the representives of the Department of State are carrying tremendous responsibilities. The spreading of half truths or implausible rumors simply further complicates the solving of the difficult problems with which we are all confronted.

Some questions have been raised with respect to the $453 million "ceiling" which was adopted for the first year. The State Department, along with most of the members of the Interagency Committee on Agricultural Surplus Disposal, favored a limitation on disposals during the first year rather than to commit the entire 3-year authority for 1 year. We believed a substantially larger sum concentrated into a short period might jeopardize world prices and interfere with the orderly conduct of trade. We believe that time and circumstances are proving that $453 million will be about right for the first year of operation. The Department has at all times favored an approach on a 3-year rather than a 1-year basis. Programs designed most effectively to promote increased consumption could probably best be worked out with other countries if the longer period of time were involved. Moreover, under this approach the question of an annual ceiling or division of the funds need not arise.

In addition, under title II of Public Law 480 more than $150 million and under section 402 of Public Law 665, Mutual Security Act,

about $350 million worth of surplus agricultural commodities are expected to be sent abroad in fiscal year 1955. These programs amount to almost $1 billion in a single year.

What are the major pitfalls which we believe should be avoided in the administration of the act? First, sales for local currency should not result in a substitution for normal dollar sales. Second, sales for local currency should not become a permanent feature of our foreign trade. Third, sales for local currency should not unduly disrupt world markets through setting off a progressive and disastrous competition for established trade.

I should like to be a little more precise. To the extent that sales for local currency are used as the means of capturing a larger share of existing markets, it is extremely doubtful that any lasting advantages will be secured. The larger share so obtained very likely would be held only so long as the special and easy terms continued to be offered. Moreover, it could be expected that other suppliers would take steps to retain what they consider to be their own markets. Such steps might include further reduction of prices, more intensive use of bilateral trade arrangements and perhaps other actions of a retaliatory nature. There would probably be a growth in the proportion of government-to-government trade and a decrease in the proportion of private trade. These would be regressive steps and contrary to our general objectives of promoting a general expansion of trade. By entering into such a struggle for existing markets, and opening ourselves up to charges of dumping, we could do great damage to our own marketings and also harm rather than "improve the foreign relations of the United States."

The national interest of the United States requires the best possible coordination of our agricultural policy and of our foreign policy. You gentlemen in the legislative branch and those of us representing the executive branch of the administration recognize the magnitude and the importance of the present problem. I am authorized to pledge to you that those of us in the Department of State who give attention to international economic problems and have a considerable knowledge and a genuine appreciation of the problems of American agriculture, will continue to work in a spirit of good will within the interagency machinery which has been established to carry out the policies of the Congress and the President.

Thank you, gentlemen, for permitting me to appear before your subcommittee and to explain in some detail the position of the Department of State on this important subject. If you have any specific questions, the members of my staff and I shall be very glad to attempt to answer them for you.

Senator EASTLAND. It is 12 o'clock. We might just as well go over to 1:30.

(At 12 o'clock noon the committee recessed until 1:30 p. m.)

AFTERNOON SESSION

Executive Session

Senator HOLLAND. Gentlemen, the meeting will come to order. I understand that Senator Schoeppel is ready with some questions.

Senator SCHOEPPEL. Thank you, Mr. Chairman.

Mr. Waugh, I realize we are making a record and I do not want to transgress in taking time on questions already answered, but I had these worked out a number of days ago—as a matter of fact, the last 10 days—and I did not see the statement you intended to present here until I came to the committee hearing this morning. Some of these you may have covered—I am sure you have in a general way—in your statement, but I did want you to understand how I was trying to approach this.

Mr. WAUGH. Yes, sir.

Senator SCHOEPPEL. First, in your opinion, what are the objectives of Public Law 480, as you folks in the State Department consider it?

Mr. WAUGH. If I could just go into a little history on this, please.

When we started this study in November of 1953—and if I do repeat, Senator Holland, some of the things I said this morning, I think it will be because I think you would be interested—in that study, which was a study under Mr. Morse of Agriculture, Mr. Burgess of Treasury, Mr. Belcher of Budget, Mr. Gruenther from the White House, Mr. Rand, who was then Deputy to Mr. Stassen of FOA, and myself representing State.

The theory that we had at that time was that the disposal of agricultural surpluses could be used in lieu of a portion of the aid that was being given. That was the original conception. I think that has since changed, and it probably changed during the legislative history, and it is now used for the purpose of disposal of agricultural surpluses in accordance with the terms of the act, broadening our markets and at the same time improving our foreign relations with our friendly countries.

Senator SCHOEPPEL. Now, next, what importance do you place upon the part of the preamble, which states in part, and I will quote:

> * * * to expand international trade among the United States and friendly nations—

and again—

> * * * to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States—

and further from the preamble—

> It is further the policy to use foreign currencies which accrue to the United States under this act to expand international trade—

and so forth.

Mr. WAUGH. I am in wholehearted agreement with all that. The first two particularly I can answer categorically; the third one I can answer yes, with the qualification that the question of using foreign currency involves a problem that may affect domestic markets and domestic producers. But we are enthusiastically in favor of Public Law 480 as it now is written.

Senator SCHOEPPEL. Next, do you think that title I of Public Law 480 introduces practices of unfair competition in international trade? And if you think that it does, I would briefly like to have your reasons why.

Mr. WAUGH. I do not think that you would call it an unfair practice. I do not think any practice would be considered an unfair practice that is right out in the open and announced to the whole world.

I think that any sale of any commodity for a soft currency wherein the currency is to be used within the country for specified purposes

gives a competitive advantage to the seller who sells under those terms as compared to the seller who is trying to get dollars, which in this instance may be our own private merchants.

Senator SCHOEPPEL. Mr. Chairman, I will say, further, that in the event you care to add to some of these answers to my questions, by submitting more detailed statements, as far as I am concerned it will be all right with me. I did want to have this history as I approached this problem.

Mr. WAUGH. Yes, sir.

Senator SCHOEPPEL. I might say, Mr. Chairman, if any of the members of the committee, as I go along on these questions, care to ask questions, feel free to do so. This is just my general line of approach.

Do any competing exporting countries use similar practices?

Now, Mr. Waugh, we were talking about whether it would be unfair competition in international trade, that is, if you thought that title I of Public Law 480 would be.

Mr. WAUGH. I do not know of any. I would like to ask Mr. Turnage if he has any knowledge of any. There might be bilateral agreements with which I am not familiar.

Mr. TURNAGE. I do not know of any that are comparable to 480 sales. There are certain aid programs like the Columbo plan.

Senator EASTLAND. Correct. And when a country is put on export subsidies and abnormal exchange programs in order to move products and get markets away from us, do they consult us?

Mr. WAUGH. Senator, this question follows one he just asked preceding on the matter of soft currency. And on answering your question on consultation, that is a separate question and we will be glad to answer now, if you would like to have us.

Senator EASTLAND. Is it all right with you?

Senator SCHOEPPEL. Yes, it is quite all right.

Mr. WAUGH. We consult with Canada, Agriculture consults with Canada, on wheat programs. We do not have any consultation on these 480 programs to the extent that we give——

Senator EASTLAND. That is not what I asked.

Other countries that compete with us have programs out of ordinary sales to move their products. You mentioned Brazil as having very favorable exchange rates. Other countries use export subsidies, and that is in order to supplant the United States in export markets. Do they consult us before they use those devices against us?

Mr. WAUGH. I would say no. They do not consult us on the matter.

Mr. LINVILLE. Certainly not often.

I might mention one or two cases where they have; the Canadians for example.

Senator EASTLAND. But they do not have a program of consulting us as we do them? Now, that is the question.

(Discussion was continued off the record.)

Senator EASTLAND. As a rule, this consultation business is a one-way street, is it not?

Mr. WAUGH. Answering your question, I think the answer to that would be yes, because there would be no instances, there are no similar programs. But answering your question, it would be yes, I would say, Senator Eastland.

Senator SCHOEPPEL. How does title I of Public Law 480 differ from the bilateral trade agreements with respect to fair international competition? Do you care to say anything briefly on that?

Mr. WAUGH. You mean bilateral trade agreements that we have ourselves with other countries?

Senator SCHOEPPEL. Or that they may have with other countries into whose market we care to break into.

Mr. WAUGH. No, I would rather take that question, sir, and give you the answer in writing. I am not enough familiar with the bilaterals of other countries.

Senator SCHOEPPEL. Can you give us that later?

Mr. WAUGH. Yes.

Senator SCHOEPPEL. That would be quite all right with me.

Should title I of the act be used to regain any United States markets lost to competitors who practice bilateral trading as a device to make these sales?

Mr. WAUGH. Well, I would say "Yes."

Senator SCHOEPPEL. I think you answered part of this, although I was not here all the time. Have you investigated the implementation of title II of the act sufficiently to assure yourself—when I say yourself I mean the State Department—that it creates no unfair competition?

Mr. WAUGH. Well, I would like to ask Mr. Turnage to handle that and to answer that because he has worked with the other agencies in developing this program under title II.

Mr. TURNAGE. I am not aware of any unfair competition in the field.

Senator SCHOEPPEL. In other words, you would say that, as far as you know, that it does not create unfair competition?

Mr. TURNAGE. That is right.

Mr. WAUGH. As far as I can say in my own instance, I have not heard any outright complaints about competition. I think if there had been, that they would have been in complaining.

Senator SCHOEPPEL. The next question I had broken down into two parts was about the ceilings established under title I.

My question is: Was there a ceiling established? Then, what position did the Department of State take with respect to that ceiling?

I was here when you answered that.

Mr. WAUGH. I will be glad to answer it again for Senator Holland.

Senator SCHOEPPEL. Senator, do you care to have that?

Senator HOLLAND. I would like to hear it.

Mr. WAUGH. Taking into consideration that the law was for $700 million for 3 years, not 1 year, it was the Department of State's first position in getting these programs that came in to us; and, as I mentioned this morning, a great number of countries and a great number of people within the Government originally seemed to think that this was a giveaway program, and the State Department wanted to make it a sale program, which we thought was the intent. So we analyzed the programs, the countries where we thought the programs would fit, and we all came up with around $400 million. That was agreed to by the Francis committee. It was not alone our decision; it was discussed at great length in the Francis committee.

The Francis committee has the same representatives I mentioned before. Commerce, Budget, Treasury, and State favored a ceiling,

but when we got into figuring the various programs it seemed as though we could not get all within the $400 million, and we enlarged the ceiling unanimously. Everybody was for it. $453 million.

The first figure of $400 million was developed after a great deal of discussion, and I think that Mr. Francis went to the White House about that, although I am not sure about that. So we were concerned, one, that if we put out more than $400 million the first year, it was an undue percentage; it might disrupt not only world prices, it might disrupt the prices or the market of our own private producers. So that was our reason for it, but we just had the 1 vote out of 5 or 6, and the final decision was made by Mr. Francis. We did not exert any undue influence and did not attempt to, and I don't think that we could have if we had wanted to. I think it is a very strong committee with all other agencies of the Government adequately represented and headed by, I think, a very strong man in this field appointed by the President to reconcile these differences of opinion which come up from time to time.

Senator EASTLAND. The Department of Agriculture thought that we could sell the entire lot this year; did they not?

Mr. WAUGH. I think you asked that question this morning, Senato Eastland. I have never heard anyone ever mention selling the entire lot this year.

Senator EASTLAND. They opposed the ceiling?

Mr. WAUGH. They opposed the $400 million ceiling, yes, sir, but we all voted for the $453 million ceiling.

I would like to ask Mr. Turnage if, at any committee meetings that he has been in, that he heard Agriculture saying they could sell the whole 700 million.

Mr. TURNAGE. The chairman of the staff committee has steadfastly favored no ceiling.

Senator EASTLAND. You mean Mr. Lodwick?

Mr. TURNAGE. Yes.

I don't know that anyone has ever said that we could sell 700 million in the first year under this. As a matter of fact, we probably are not going to sell the full 453.

Senator EASTLAND. Well, that is because there has been so much quibbling to start with.

How many months did it take to set this program up?

Mr. WAUGH. September the 9th to January the 10th, and all of the original differences of opinion have been reconciled and I think everybody has been working together very smoothly.

Senator EASTLAND. Correct.

And I say that the reason, if we do not export 435 million, will be because of the differences of opinion which delayed putting it into effect—putting the program into effect.

Mr. TURNAGE. Well, as a matter of fact, Senator Eastland, some of the larger programs were never delayed because of this discussion of the ceiling, and for some months now——

Senator EASTLAND. Is that the reason? Am I right or wrong?

Mr. WAUGH. I think that you are wrong insofar as the fact I don't think it is possible to reconcile the programs with these countries during the fiscal year——

Senator HOLLAND. It seems to me that this might be a good time, if I may interrupt, to bring out the question of just what is the measure

of activity of operation under the $700 million figure mentioned in here in title I.

What part of the 453 million that makes up the total of the commitments in your first four agreements will be chargeable against the 700 million?

Mr. TURNAGE. About 100 milion.

Senator HOLLAND. You figure that 100 million will be the reimbursible amount to the Commodity Credit Corporation out of the 453 million cost of the commodities which will be handled under those contracts?

Mr. TURNAGE. That may not be required to be reimbursible in the final analysis because within a year or so we may get some part of this back in the form of a reimbursement to the Commodity Credit Corporation through the Defense Department, for example, buying some of the local currency, but the Treasury has ruled that until these dollar reimbursements are in hand the Commodity Credit Corporation has to behave as if it is a full charge against the CCC.

Senator HOLLAND. Temporarily the whole 453 million would be charged against the 700 million?

Mr. TURNAGE. That is right.

Senator HOLLAND. But you think it would, in the final analysis, be reduced to about 100 million?

Mr. TURNAGE. No, no. It would be reduced by maybe 15 percent is my guess. But others may guess somewhat differently.

Senator HOLLAND. Well, I think it is important that the record show clearly now what is the limit of the operation under title I.

Let me recite what I think it is, and then I would like to have a statement from the witnesses here as to whether they are in accord.

First, I will call attention to section 103 (b) of title I, which reads:

> Transactions shall not be carried out under this title which will call for appropriations to reimburse the Commodity Credit Corporation, pursuant to subsection (a) of this section, in amounts in excess of $700 million.

Now, is that the base provision for $700 million which must be figured against as you try to determine what size this total operation under title I can take?

Mr. TURNAGE. That is right.

Senator HOLLAND. The measure of the total operation is a total amount of operations which would call for appropriations to reimburse the Commodity Credit Corporation up to but not exceeding $700 million?

Mr. TURNAGE. That is right.

Senator HOLLAND. All right. Now, the second thing, that refers to subsection (a) of that same section, 103, which reads as follows:

> For the purpose of making payment to the Commodity Credit Corporation to the extent the Commodity Credit Corporation is not reimbursed under section 105 for commodities disposed of and costs incurred under titles I and II of this Act, there are hereby authorized to be appropriated such sums as are equal to (1) the Corporation's investment in commodities made available for export under this title and title II of this Act, including processing, packaging, transportation, and handling costs, and (2) all costs incurred by the Corporation in making funds available to finance the exportation of surplus agricultural commodities pursuant to this title. Any funds or other assets available to the Commodity Credit Corporation may be used in advance of such appropriation or payments, for carrying out the purposes of this Act.

Now, that is the provision which is referred to in subsection (b) of section 103, is it?

Mr. TURNAGE. I think so.

Senator HOLLAND. Subsection (b) provides that:

> Transactions shall not be carried out under this title which will call for appropriations to reimburse the Commodity Credit Corporation, pursuant to subsection (a) of this section, in amounts in excess of $700,000,000.

Mr. WAUGH. Yes.

Senator HOLLAND. All right. Now, third, since section 103 refers to section 105, you have to go to that section to complete your amassing of the facts that bear on this subject, don't you?

I quote section 105:

> Foreign currencies received pursuant to this title shall be deposited in a special account to the credit of the United States and shall be used only pursuant to section 104 of this title, and any department or agency of the Government using any of such currencies for a purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used.

That completes the sections against which you figure the real meaning of the 700 million limitation, is that correct?

Mr. WAUGH. Yes.

Senator HOLLAND. Then, to go to the uses which are permitted for the foreign currencies, you have to go to section 104?

Mr. WAUGH. Yes, sir.

Senator HOLLAND. I will not quote that in the record because it is so long, but to complete your work-out of just what can be done under this 700 million limitation, you also have to consider the provisions of section 104 as to what uses can be made of the local currencies.

Mr. WAUGH. That is very clearly brought out in these various countries' programs.

You see, you may sell this surplus and you may have 4 or 5 different ways of getting reimbursed for it, and that is why it takes so much to work this out.

Senator HOLLAND. The main purpose of my line of questioning is this: to establish that it is a fact that the 700 million limitation is not a limitation of the cost price of the goods covered under these operations, cost price to Commodity Credit, but instead is a limitation of the total amounts of reimbursements to Commodity Credit Corporation under subsection (b) of section 103, is that correct?

Mr. TURNAGE. That is correct, but the time element enters in.

Senator HOLLAND. I understand that the time element enters in, but there have been many comments, some made in this committee in the first hearing, indicating that we could never trade in more than 700 million worth of products to Commodity Credit, whereas the fact is, as I understand it, that we can trade in vastly greater amounts than the 700 million cost items to Commodity Credit.

Mr. TURNAGE. As a practical matter, Senator, I think that we could trade in no more than 15 or 20 percent above the 700 million.

Senator HOLLAND. Do you mean by that that you think the reimbursements would come so late that only 15 or 20 percent of the total cost, assuming that that cost be 700 million, will be reimbursed within the 3 years of operation?

Mr. TURNAGE. Within the 3 years I don't think we will get any more reimbursement than that. It is primarily because the biggest part of this local currency is being used under section 104 (g) for loans to promote trade and development, and the repayment on these loans will not begin for 3 years.

Senator HOLLAND. In other words, your feeling is that the reimbursements that would be regarded as reasonable to expect within 3 years would have to come under the other classifications, (a), (b), (c), (d), (e), (f), and (h) rather than under (g), and that under (g) the greatest volume of business is taking place?

Mr. TURNAGE. Yes.

Senator HOLLAND. Therefore, you think that the reimbursements that can be anticipated within 3 years will not exceed 15 or at most 20 percent of the total cost price?

Mr. TURNAGE. I would say that. I think maybe some other people who have been working on this may go as high as 25, but I don't think that anyone would estimate higher than 25 percent.

Senator HOLLAND. All right. Just to make the record perfectly clear, however, that does not mean that you are foregoing the chance of reimbursement after the 3-year period of large parts of the items utilized under subsection (g) of section 104?

Mr. TURNAGE. No, sir, except that such reimbursement would not come until too late to do anything with it during the 3-year period of the life of the act.

Senator HOLLAND. Exactly. But it would not mean that the total cost to the country of this effort to dispose of surplus farm products could be accurately figured at the end of the 3-year period?

Mr. TURNAGE. I do not think that at that time we could make an accurate estimate.

Senator SCHOEPPEL. Since we are compelled to return to the Senate floor, and since we are proceeding with Mr. Waugh and those others representing the State Department today in this hearing, and since we will not have sufficient time to go into these matters carefully in the executive session, it is perfectly agreeable to me to submit the balance of these questions, which total, in this 1 questionnaire, 37 questions, so Mr. Waugh and your associates may answer these and so they may become a part of the record of this hearing today.

Mr. WAUGH. We will be very happy to comply with your request, Senator. We will take your 37 questions and prepare written answers and submit them back to the chairman of the committee.

Senator SCHOEPPEL. Then, in addition to that, I have 8 general questions that I do want to submit in addition to the 37 which I am now submitting. And, Mr. Waugh, after your answers have been given, if you will be kind enough to submit the answers to first the 37 and then the 8 general questions, it will be prefectly agreeable to me, in order to save time because of the circumstances in which we now find ourselves. I would prefer to leave it that way.

Mr. WAUGH. Thank you, sir. That will be entirely agreeable to us.

Senator SCHOEPPEL. Let the record show that the hearing is adjourned until 10 o'clock tomorrow morning.

(Whereupon at 2:30 p. m., the committee adjourned until 10 a. m., March 1, 1955.)

(The questions submitted by Senator Schoeppel and answered by the Department of State are as follows:)

1. Do you think American agriculture can expect to expand exports of the farm products which it can produce competitively—such as wheat, cotton, corn, tobacco, vegetable oils, soybeans, and certain animal products and fruits?

Answer. The Department of Agriculture can undoubtedly advise you to better advantage on this point than can the Department of State. It is the State Department's view, however, that the widespread expansion of production and purchasing power which is occurring in the world will have a generally beneficial effect on our agricultural export trade.

2. How should United States agriculture protect itself against government or quasi-government monopolies, exchange manipulations, and sales for foreign currencies practiced by competing exporting nations?

Answer: Such monopolies can be used to undersell us or to negotiate preferential trade arrangements with other countries. It is sometimes argued that we must make use of Government trading in order to compete with such monopolies, but this is questionable. Where price supports do not keep our private traders from competing freely in foreign markets, they generally do quite well, and, in fact, their flexibility and initiative gives them some important advantages. On the whole we have had a greater problem when our prices are inflexible because they are determined by the action of the Commodity Credit Corporation. We do what we can to discourage the use of export monopolies on the part of other countries. One of the most important steps which we can take in this direction is to get into a position where we can reduce the role of our own Government with respect to agricultural exports.

Government import monopolies have often created difficult problems for us. Fortunately the extensiveness of their use has greatly diminished during the last few years. The United Kingdom, for example, which is the largest importer of many of the agricultural products which we have available for export, has largely abandoned bulk buying. The widespread easing of the foreign exchange situation has done much to bring about the abandonment of Government import monopolies. The steps that we are taking to eliminate high and arbitrary trade restrictions and to promote currency convertibility will do more than anything else to discourage the use of such import monopolies.

Willingness of other countries to accept foreign currencies, except as this is done in the normal course of trade, is quite limited. No other countries are prepared to permit such generous use of local currency proceeds as we are under Public Law 480.

3. Do you think increasing exports of United States farm products on a competitive basis, promotes or impairs our foreign relations?

Answer. Our foreign relations are in the main well served when our producers compete effectively to expand their exports. When our farm products are exported on a competitive basis as a result of a subsidy, problems affecting our foreign relations are likely to arise. One cannot generalize about this but can only comment after careful study of specific cases.

4. What will be the policy of the Department of State in implementing the reciprocal trade agreement program with respect to:

(*a*) Foreign restrictions against United States farm products?

(*b*) United States restrictions on imports of farm products?

Answer. (*a*) The policy of the Department of State and of the United States Government on restrictions against United States farm and nonfarm products is to urge the reduction or elimination of such restrictions at the earliest possible date. These restrictions most often take the form of quantitative restrictions or exchange controls. They are usually imposed by other countries for balance-of-payments reasons. They usually apply not only to United States farm products but to many other dollar products, both agricultural and nonagricultural.

In the last 2 years considerable progress in reducing these restrictions has been made. By the beginning of 1955, for example, 10 European countries had liberalized imports from the dollar area. The overall percentage of liberalization for these 10 countries amounted to almost 60 percent based on statistics for imports on private account in 1953. There were also significant reductions by other countries, including India, Pakistan, South Africa, and New Zealand.

(*b*) The policy of the Department of State in implementing the reciprocal

trade agreement program with respect to United States restrictions on imports of farm products is identical with our policy on all other imported products.

The policy of the Department of State on this matter is included in the President's letter of February 17, 1955, to Representative Martin concerning H. R. 1. A copy of that letter is attached.

In commenting in that letter on the administration of this legislation if it is enacted into law, the President's promise that "No American industry will be placed in jeopardy by the administration of this measure" is clearly meant to include agriculture.

Aside from the implementation of the Trade Agreements Act, there is of course another type of protection for United States agricultural products. That is the authority for the restriction of imports of agricultural commodities provided under section 22 of the Agricultural Adjustment Act, as amended.

5. In United States foreign-aid programs, do the Department of State policies emphasize aid to assist nations to become self-sufficient or to raise standards of living based on comparative advantage?

Answer: In United States foreign aid programs the Department of State favors assistance which most effectively promotes that development which contributes either to our mutual security objectives or to a balanced economic development. Thus the emphasis is determined by the natural resources and other advantages available to the country.

6. What relative emphasis is given to the development of agriculture, manufacturing, marketing, and extractive industries in assisting underdeveloped countries?

Answer: In considering aid programs in underdeveloped countries an effort is made to determine the role which any sector of an economy, be it agriculture, industry, mining, etc., might play in the balanced and integrated development of the economy of the underdeveloped countries.

The important consideration in formulating a development program, and assisting projects within such a program, therefore, is that they contribute to a country's ability to produce those goods and services which its resources indicate that in the long run it can produce efficiently. This principle is also consistent with the objectives of United States commercial policy in bringing about the elimination of the barriers to trade.

7. What are the general policy guides of the Department of State on:

(*a*) Stockpiling basic materials?

(*b*) Offshore procurement?

(*c*) Foreign investment, all of which are important factors affecting the balance of payments?

Answer: (*a*) Policy guides for stockpiling are developed by the Office of Defense Mobilization. The Department of State merely advises and assists ODM with respect to the effects of stockpiling on our relations with other governments and the effect of conditions abroad on our ability to obtain supplies. The Department has supported stable buying programs minimizing interference with world markets insofar as this is consistent with an aggressive accumulation of minimum stockpile objectives. As a general rule the Department has favored purchasing supplies from the most economic sources consistent with existing legislation.

The Department has cooperated in the acquisition of strategic materials through barter of United States Government-held agricultural surpluses because this channel offers an opportunity to save on net Government expenditures. Care should be taken to avoid the use of barter where it would merely replace monetary transactions with more cumbersome barter.

(*b*) As noted in the question, payments on offshore procurement contracts constitute an important source of dollar earnings for our allies. However, the strategic objective of this policy is to help develop an indigenous production base for replacement, spare parts, and ammunition and thus increase the ability of European NATO countries to maintain their defense establishments without outside support. As a general policy, offshore procurement contracts are subject to accepted business practices and competitive bidding as are other contracts let by the United States Government in the United States. In addition they are placed with a view to helping non-Communist trade unions and in plants which comply with accepted standards of working conditions and wages. The general guidance laid down in section 107 of the Mutual Security Appropriations Act, Public Law 778, is being followed.

(c) The policy of the United States Government with respect to foreign investment has two basic aspects:

(i) The encouragement of conditions giving the fullest possible opportunity to private initiative and enterprise (domestic and foreign) as the most effective means of accomplishing lasting economic development and growth, and

(ii) Assistance to United States investors who have or desire to acquire properties or interests abroad, and the application of established policies to protect their legitimate interests.

In line with the President's instructions, the vigorous support which this Government gives to the private enterprise system and to the interests of United States investors has been made clear to all concerned at home and abroad. Personnel with responsibility for the promotion and protection of American trade and investment keep abreast of developments and render appropriate assistance to the end that there will be better utilization of the free world's human and material resources with the growing strength and stability brought about through such development.

Effective diplomatic support is given to American trade and investment abroad, to the extent dictated by considerations of equity, fair play, and nondiscrimination, in the light of American adherence to and faith in the private-enterprise system as the most effective vehicle for sustained development and progress.

Many developing countries appear genuinely to desire foreign capital participation in their economic development but do not realize fully their own responsibility for creating conditions which will attract such capital. A good investment climate is one which offers the opportunity for reasonable returns to the investor and in which public attitudes toward foreign capital are good, impediments to investment are minimal, the record of treatment of existing capital investment is favorable, and local laws and regulations are reasonable and are fairly and honestly administered.

8. Is the foreign economic policy of the United States influenced by an assumption that our exports of goods and services will continue to exceed our imports indefinitely unless we urge our foreign friends and allies to discriminate against the dollar area? American farmers have an important stake in the assumption that is made with respect to the future United States balance of payments. Inasmuch as it affects United States foreign economic policies with respect to loans for economic development and implementation of the reciprocal trade-agreements program and other important elements of our foreign economic policy.

Answer: The foreign economic policy of the United States is not based on the assumption that unless we urge other countries to discriminate against purchases from the dollar area there will continue to be a dollar gap. During the war and early postwar years there was an irresistable tendency for our exports to exceed our imports. Foreign countries were not, on the whole, as well supplied with dollars as with other currencies. This resulted in their restricting purchases from the United States more rigidly than those from other areas. This situation has, however, been improving rapidly, and discriminations against United States products have been greatly relaxed. Our foreign economic policy is based on the assumption that the so-called dollar problem will disappear. We have been insisting that countries abandon their discriminations against purchases from dollar sources as quickly as possible. We believe that United States exports, as well as imports, should be increased and that they can be sustained at a higher level than that now prevailing.

(Attachment: Copy of President's letter to Representative Joe Martin dated February 17, 1955.)

THE WHITE HOUSE,
Washington, February 17, 1955.

Hon. JOE MARTIN,
House of Representatives,
Washington, D. C.

DEAR JOE: I was concerned to learn from you that there are Members of the Congress who are not wholly familiar with my philosophy respecting H. R. 1 and with my concept of the administration of this program. I send you this letter to eliminate any misunderstanding that may exist.

This point I should like especially to emphasize. Few programs will contribute more fundamentally to the long-term security of our country than the foreign-economic program submitted to the Congress on January 10. This pro-

gram, built around H. R. 1, will powerfully reinforce the military and economic strength of our own country and is of the greatest importance to the well-being of the free world. The program underlies much of our military effort abroad and promises our people ultimate relief from burdensome foreign-assistance programs now essential to free-world security. It recognizes the creditor status of America in the world and assures leadership of our people in the easing of unjustifiable trade barriers which today weaken all who are joined in opposition to the advance of communism. These considerations underlie my earnest advocacy of H. R. 1. I deeply believe that the national interest calls for enactment of this measure.

I wish also to comment on the administration of this legislation if it is enacted into law. Obviously, it would ill serve our Nation's interest to undermine American industry or to take steps which would lower the high wages received by our working men and women. Repeatedly I have emphasized that our own country's economic strength is a pillar of freedom everywhere in the world. This program, therefore, must be, and will be, administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure. Were we to do so, we would undermine the ideal for which we have made so many sacrifices and are doing so much throughout the world to preserve. This plain truth had dictated the retention of existing peril-point and escape-clause safeguards in the legislation.

I want to say further that this same philosophy of administration will govern our actions in the trade negotiations which are to begin next week at Geneva.

You are aware, of course, that by law this program will be gradual in application. A key provision of the bill limits to 5 percent of existing tariff rates the annual reduction in these rates permissible over a 3-year period, and unused authority will not carry forward from year to year. You know, too, that this program will be selective in application, for across-the-board revisions of tariff rates would poorly serve our Nation's interests. The differing circumstances of each industry must be, and will be, carefully considered. The program, moreover, provides for reciprocity, and in the program's administration the principle of true reciprocity will be faithfully applied. Americans cannot alone solve all world trade difficulties; the cooperation of our friends abroad is essential. With such cooperation, this program provides the means for doing our part to help emancipate free-world commerce from the shackles now holding back its full development.

For the reasons I have here outlined, I hope that H. R. 1, which is so important to every American citizen and to the free world, will receive the wholehearted support of the Congress.

Sincerely,

DWIGHT D. EISENHOWER.

State—FD, Washington, D. C.

9. In your opinion what are the objectives of Public Law 480?

Answer: The primary objectives in my opinion are (1) to expand international trade, (2) to promote an expansion of United States exports of agricultural commodities, (3) to use foreign currency proceeds for specified purposes, and particularly for creating a new and continuing market demand for agricultural products, and (4) through the maximum efficient use of surplus agricultural commodities to promote the foreign policy of the United States.

10. What importance do you place on the part of the preamble which states in part "* * * to expand international trade among the United States and friendly nations" and again "* * * to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States * * *" and further from the preamble, "It is further the policy to use foreign currencies which accrue to the United States under this act to expand international trade, * * *"

Answer: We place very great importance on these statements in the preamble of the act as indicated by the answer to Question No. 9 above.

11. Do you think that title I of Public Law 480 introduces practices of unfair competition in international trade? In what way?

Answer: Our interpretation of the act is that it was not intended to introduce unfair competitive practices. The objectives are stated in a positive manner and precautions are provided to assure that the act is not intended to initiate

a program of dumping. This was stated in the conference report in connection with section 101 (a) which provides that the "President shall take reasonable precautions to safeguard usual marketings of the United States and to assure that sales under this act will not unduly disrupt world prices of agricultural commodities."

Whether in fact action under title I of Public Law 480 results in unfair or undesirable practices depends on the way in which it is administered. Certainly it need not have such effects. A transaction which would bring about increased importation and utilization and no displacement of trade would clearly not have undesirable effects on international trade. On the other hand transactions which would unduly depress world prices and displace normal United States marketings would clearly be undesirable. We need to keep in mind that authority permitting us to sell for local currency and then permitting a large part of the local currency to be used to the advantage of the importing country is so powerful a device that it must be used with great care.

12. Do any competing exporting countries use any similar practices?

Answer: Other exporting countries use a great variety of measures to facilitate exports. However, except for a few aid programs, such as the Colombo plan, I know of none which permit as generous terms as Public Law 480 and none which can be at all compared with it in scope.

13. How does title I of Public Law 480 differ from the bilateral trade agreements with respect to fair international competition?

Answer: Both title I of Public Law 480 and bilateral trade agreements can be used in such a way as to distort normal trade channels. The chief difference is that, in general, Public Law 480 transactions can be of a "softer" character than bilateral trade agreements. While the latter normally involve the exchange of goods of equal value, Public Law 480 transactions usually allow the importing country the privilege of using a large portion of the resulting local currency to its own advantage.

14. Should title I of the act be used to regain any United States markets lost to competitors who practice bilateral trading as a device to make sales? Why not?

Answer: Transactions under title I of Public Law 480 may be used to regain normal commercial markets of which the United States is being deprived by bilateral trading arrangements. There is a serious question whether sales for soft currency offers a permanent technique for retaining markets after we cease to make surpluses available on special and soft terms.

15. Have you investigated the implementation of title II of the act sufficiently to assure yourself that it creates no unfair competition?

Answer: No foreign country has yet expressed a complaint concerning any program under title II. However, we are keeping the problem under continuing review in order to avoid any unfair practices.

16. Was there a ceiling established on sales under title I?

Answer: Yes. A programing ceiling for the first year of $400 million was established by the Francis committee. This was later raised to $453 million. The State Department favored a limitation if programing were to be done on a 1-year rather than a 3-year basis, and voted for the above figures but did not take the initiative in proposing specific figures. The following considerations were revelant to the decision taken by the Francis committee:

(*a*) The Congress had established a figure of $700 million for a 3-year period, although the executive branch had recommended a figure of $1 billion for a 3-year period.

(*b*) There were no assurances that a global program substantially larger than $400 million in 1 year would not result in substitution to an appreciable degree of the usual marketings of the United States or the undue disruption of world prices through setting off further competitive price-cutting practices.

(*c*) Such competitive price cutting would harm rather than promote the foreign policy of the United States.

(*d*) A limitation on the disposal operation would improve the negotiating position of the United States in reaching agreements designed most effectively to promote the objectives of the act.

17. Was there a ceiling placed on title II of the act? Why not?

Answer: No ceiling was placed on title II of the act because emergency situations for which title II is designed are unpredictable. It now appears that only about $150 million will be programed in the first year under this title.

18. Is it true that because of the ceiling, otherwise eligible countries were told that there were no more funds? Which countries? Are these considered friendly countries?

Answer: Several countries were told that the fiscal year 1955 programing had been completed and that no program could be promised immediately. However, they were advised that any concrete proposals they wished to make would be considered in connection with further programing. Now that negotiations have been initiated for the first group of 16 countries, additional country programs are in fact in preparation. These countries, of course, are all considered friendly. A summary of requests is being prepared for this committee. However, inasmuch as this involves an examination of the files not only of the Department of State but also of the Department of Agriculture and FOA, it may take a few more days to assemble the information.

19. Did some countries have their program cut because of this ceiling?

Answer: Yes.

(a) Did Japan get to buy the total amount she desired to buy?

Answer: The program under discussion at this time does not include the full amount which the Japanese requested. Their request under title I was approximately $133 million.

(b) Is it true that the per capita consumption of cotton in Japan is now approximately one-half as much as prewar?

Answer: Per capita consumption of cotton in Japan in 1938 was 14.5 pounds. In 1953 it was 8.6 pounds or about 60 percent of the 1938 level. However, as a result of the war the Japanese textile capacity was reduced below prewar levels although the industry was operating in 1953 near capacity. The largest factor accounting for the lower per capita consumption levels is the population increase of about 30 percent since 1938.

(c) Is there any desire by the United States to limit the consumption of cotton or wheat in Japan?

Answer: Absolutely not.

20. Several times we have read that the United States has agreed to consult with competing exporters of farm products before we made any sales under Public Law 480. It is true, is it not, that we practice prior consultation before making any sales?

Answer: The United States has agreed to discuss with other leading export countries, in advance of signature, the commodity composition of country programs negotiated under title I of Public Law 480. This has sometimes been described as "prior consultation" and sometime as "prior notification." The nature of these discussions was described to other countries by a United States spokesman in the following words:

"Shortly before a specific agreement is concluded under Public Law 480, the United States through the Department of State will provide an opportunity to discuss the commodity composition of that agreement with representatives of other countries exporting these commodities. I would be less than honest if I failed to point out that such discussions are unlikely in most cases to result in changes in the program under discussion. On the other hand, if we have done our work well and if the proposed transaction is properly understood, there should be nothing in it to alarm third countries. Furthermore, during the discussion we may receive suggestions which will be helpful in any future negotiations with the same importing country. We hope that as a result of our discussions representatives of other exporting countries will be able to alert their governments as to the imminence of an agreement before it is announced to the public."

(*a*) Do we enjoy reciprocal prior consultation from competing exporters?

Answer: When agreeing to discuss these programs with other countries we stated that "we expect other nations to consult us on particular transactions which because of their character or size are likely to disrupt our markets." Other leading exporting countries, as well as the United States, participate in the work of the Consultative Subcommittee on Surplus Disposal, which has

been established within the framework of the Food and Agriculture Organization of the United Nations. This Subcommittee was established not only to facilitate the disposal of agricultural surpluses but also "to provide a forum for the discussion of proposals, programs, policies, or transactions of member governments for the disposal of agricultural surpluses * * *." These other countries have indicated their willingness to discuss, where practicable, any of their special disposal programs. We have not, however, specified any particular types of programs which we feel it practicable for them to discuss with us. They have almost never adopted programs of the type authorized by Public Law 480, which involve especially favorable terms to importers and which are of a nature that can generally be discussed safely with competitors. We have reason to believe that any reasonable requests which we make for prior consultation would be accepted. The British voluntarily notified members of the Consultative Subcommittee of plans for the sale of condensed milk at distressed prices. The Canadians notified us of a plan to make wheat available to Ceylon as a grant under the Colombo plan. The two other chief wheat exporting countries have discussed proposed wheat export policies with us from time to time.

(*b*) Are we (or should we not be) consulted whenever a bilateral trade agreement is made involving commodities held by CCC?

Answer: We should be glad to be consulted regarding bilateral trade agreements which other countries are proposing to make involving comodities held by CCC. Such consultation would appear, however, to endanger the conclusion of such transactions. The United States, which makes bilateral barter transactions from time to time, has been unwilling to agree to consult in advance regarding these transactions.

(*c*) Are we (or should we not be) consulted when Brazil changes the exchange rate to subsidize the export of cotton? Or when Argentina sells for foreign currency?

Answer: We have not been consulted in advance regarding proposed changes in Brazil's foreign exchange rates applicable to cotton. The United States has not been willing to agree to prior consultation regarding export subsidies and is not in a position to ask other countries to do so. I should mention, however, that the Brazilian action of last year, which may have prompted your question, did not have the price effects commonly attributed to it. The United States agricultural attaché in Brazil reported that "In its pricing policy the Brazilian Government made a special effort to avoid reducing its cotton export price to such an extent that world markets would be seriously disturbed, or that retaliation might be incurred. To a considerable degree the success of its cotton liquidation policy was determined more by negotiations within the trade and payment agreements existing with countries having nonconvertible currencies, than by cutting prices in terms of dollars below the United States level."

The Department is unaware of any special arrangements whereby the Argentine Government sells for local currencies.

(*d*) Did Canada consult with us before establishing a 1-year credit policy on wheat sales?

Answer: The Department is not aware that Canada has a policy of selling wheat on a credit basis. It has made exceptional sales on such a basis without consulting us. Nor have we consulted with the Canadians regarding credit sales of wheat which we have made through Export-Import Bank loans, e. g., the 200,000 tons of wheat for Brazil which we financed through such a loan last year. Since many countries finance sales on a 1-year basis, it would be unsafe for any country to notify its competitors of plans to make particular sales on such a basis.

(*e*) Is the United States the only country with farm surpluses? Should United States surpluses be handled differently than Canadian, Brazilian, or Argentine surpluses?

Answer: The United States is, of course, not the only country with surpluses. Canada holds substantial stocks of wheat; Brazil has sizable stocks of coffee; Argentina has surpluses of various commodities from time to time. American surpluses have been considered by other countries to be an especially great threat to the trade of other countries because of their far greater size and because of the financial resources of the United States, which could be used in throwing our surpluses into the world market. If other countries adopt special disposal

measures similar to ours, this action should be considered in the same light as action taken by the United States except for the fact that the effects on foreign trade will be less due to the smaller amounts involved.

21. Why should we practice prior consultation and not expect reciprocity?

Answer: As stated in the first part of the answer to question 20, we do expect reciprocity. This does not mean, however, that we expect other countries to consult regarding types of disposal measures with respect to which we ourselves are not prepared to consult. It should be noted that getting other countries to reciprocate is not the only advantage which can be obtained from consultation on our part. The great uneasiness and frictions which have arisen because of fears on the part of other countries regarding our disopsal measures have been considerably reduced by our willingness to discuss our programs with them. Much of the resentment abroad regarding our programs resulted from failure to understand them properly.

22. Have you read my (Senator Schoeppel) statement before the House Agriculture Committee supporting the bill that became Public Law 480? In that I emphasized the importance of using the foreign currencies as a revolving fund to make relatively short-term loans. Let me quote from that testimony:

"The foreign currencies in the first phase should concentrate on increasing the earning power of individual consumers and customer nations by means of relatively short-term loans. They should focus on increasing the foreign-exchange earnings of customer nations in a way that would lead to greater currency convertibility. This would mean promoting economic development, increasing production for export, expanding international trade, increasing gainful employment, and stimulating economic activity generally. This visualized the use of revolving funds to create conditions which would attract private investment capital for economic development. The free world needs capital to expand, to develop, to build, to create new wealth. The mechanisms set up in S. 2475 provide the means to convert unsold stocks of farm products into that capital the world needs."

Does this sound like a constructive policy for the use of the currencies? Section 104 (e) and (g) were intended to incorporate this concept into the law. This was a very important provision of the law intended, for example, to help Japan to expand her total trade, particularly with the SEATO area, in which the United States has a vital interest. Economic development of the SEATO area will increasingly complement the economy of the United States and thereby enable Japan to continue and expand her purchases in the United States, particularly wheat, cotton, soybeans, and dairy products.

Answer: I am in wholehearted agreement with the objectives expressed in Senator Schoeppel's statement. I believe that such uses of the currencies would be very constructive indeed. In the Japanese proposal particularly I believe we have attempted to use the larger part of the local currency in just this way.

23. Off the record.

24. Is the Department of State represented on NAC?

Answer: Yes.

25. Is the Department of Agriculture represented on NAC?

Answer: The Department of Agriculture is not a member of NAC, but they are invited to participate in all discussions in which Agriculture has a direct interest. For example, the Department of Agriculture participated in the NAC meeting where it was decided that the Public Law 480 yen funds would not be used to finance the Japanese Export-Import Bank. The Department of Agriculture also participated in the NAC meeting concerning the terms of loans of local currency.

26. Is the United States position with respect to the loan policy of the International Bank formulated by NAC?

Answer: Yes.

27. What percentage of the IBRD loans have been made for promoting agricultural production? What percentage for the production of strategic and critical materials?

Answer: As of June 30, 1954, according to the IBRD's general classification of loans by purpose, about 9 percent of its loans have been made in the field of agriculture and forestry. Included in the category are projects such as flood control and grain storage which indirectly promote agricultural production. Somewhat less than 2 percent of the funds loaned by IBRD as of June 30, 1954, have been for mining although within the two major categories, loans for transport and for power, there are projects which indirectly promote the production of strategic and critical materials.

28. How are the policies of the Export-Import Bank determined?

Answer: The Export-Import Bank has a five-man Board of Directors appointed by the President and confirmed by the Senate. In accordance with the provisions of the Bretton Woods Agreement Act there is full consultation between the Board and the National Advisory Council on all matters of policy.

29. What percentage of the loans made by the Export-Import Bank has been used for promoting agricultural production? For promoting production of strategic and critical materials?

Answer: The Export-Import Bank does not prepare statistical reports categorizing its loans by purpose and has no statistical division, only an operational accounting division. However, because of certain specific legislative provisions affecting its lending authority and providing supplementary funds it is possible to indicate general amounts which have been loaned to promote the production of strategic materials. The Bank estimates that perhaps 10 percent of total authorized credits to date might be characterized as directly promoting the production of strategic materials. In addition a number of transport and power credits have undoubtedly been significant in indirectly promoting the production of strategic and critical materials.

Without a detailed statistical analysis which the bank has not made, it is impossible to say what percentage of its credits have promoted agricultural production. Certain credits for agricultural machinery or irrigation projects are directly connected with agricultural production, of course, but others for roads and transport have probably been equally significant in stimulating agricultural production. The Department hesitates to categorize loans in a form which the Eximbank itself feels unable to do. However, a copy of the bank's most recent semiannual report which gives a statement of loans and authorized credits is enclosed.

30. Does the Department of State participate in the formulation of policies guiding the economic development programs carried out by FOA? What percent of the nonmilitary dollar funds has been used to promote agricultural production since the war? What percent for promoting production of strategic and critical materials? How have the use of foreign currencies been divided between agriculture and extractive industries?

Answer: The State Department has participated in the formulation of policies guiding the economic development programs carried out by FOA. The records concerning the programs are maintained by FOA and the following figures have been summarized from these records by FOA in accordance with FOA program categories:

(*a*) Percent of nonmilitary dollar funds obligated in the field of agriculture and natural resources and the field of industry and mining in underdeveloped areas:

Area	Agriculture and natural resources	Industry and mining
	Percent	*Percent*
Far East	7	3
Near East, Africa, south Asia	7½	3
Latin America	34	4

(*b*) Percent of nonmilitary dollar funds used in strategic and basic materials projects: Less than 1 percent of total.

(*c*) Percent of foreign currency uses approved: 10 percent for agriculture, forestry, and fisheries; 5 percent for extractive industries.

31. What percentage of the foreign currencies accruing under Public Law 480 has been committed to increasing agricultural production? What percentage for production of strategic and critical materials?

Answer: It is too early to make any estimates concerning the percentages of local currencies accruing under Public Law 480 which will be used for purposes of increasing agricultural production or the production of strategic and critical materials. Efforts to date have been concentrated upon the sales agreements and comparatively little progress has been made on project agreements in connection with loans under section 104 (g).

32. I understand that unresolved issues on the operating committee are appealed to the Francis committee. Is that correct?

Answer: That is correct. Moreover, inasmuch as the operating committee is a staff-level committee, all matters requiring policy decisions are referred to the Francis committee.

33. Is there any appeal from the Francis committee?

Answer: Mr. Francis himself has favored the opportunity for appeal from the Francis committee on very important matters on which the decision was not unanimous.

34. Off the record.

35. Then just what authority does Mr. Francis have?

Answer: Inasmuch as Mr. Francis is a consultant to the President, I believe it inappropriate for me to comment on this question.

36. Is it true that the people who attend the Francis committee are the same as those who attend the operating committee? Is this not a cumbersome administrative arrangement?

Answer: Some of the members of the operating committee attend meetings of the Francis committee. The State Department member of the Francis committee or his deputy has attended about 90 percent of the committee meetings. On those relatively few occasions when the member or his deputy cannot be present, the State Department representative votes on questions appearing on the agenda in accordance with instructions. On all important decisions that have been taken by the Francis committee most of the regular committee members have participated. I do not believe this is a cumbersome administrative arrangement because a policy committee is essential. Also, the volume of staff work required is so great that the members of the policy committee could not possibly find time to do it and do not attend meetings of the operating committee. Hence, the operating committee serves a necessary function.

37. I read the President's Executive order on Public Law 480 and the press release. It appeared to me then that the responsibility for administration was given to the Secretary of Agriculture and the authority to the Department of State. I would like to pursue this some.

38. Can the Secretary of Agriculture decide what countries may participate?

Answer: The final decision on country participation rests with the Francis committee. However, the Department of Agriculture initiates most of the program proposals and consequently has primary influence in the determination.

39. May he (Secretary of Agriculture) decide the size of the program for each country and the period over which the delivery is to be extended?

Answer: The procedure for determining the size of each program, when any disagreement arises in the operating committee, has been to refer the matter to the Francis committee for decision. The period over which the delivery is to be extended will be determined primarily by mutual agreement between the United States and the recipient country.

40. May he (Secretary of Agriculture) decide how much of which commodities may be included, what prices and what terms?

Answer: The views of the Department of Agriculture on commodity composition and prices generally are final, subject to agreement, of course, with the recipient country.

41. May he (Secretary of Agriculture) decide how the currencies are to be used?

Answer: Agreement on the use of currencies generally is reached in the operating committee, and in those few cases of disagreement the matter is referred to the Francis committee for resolution. However, it is often necessary to

modify the first proposals substantially during the negotiation with the recipient. Any modifications must be approved by the operating committee.

42. Would you say that the Department of State has veto and/or delaying power on every decision?

Answer: The Department of State does not have veto power. To my knowledge there have been no instances of deliberate delay simply for the purpose of holding back a program. All the agencies have cooperated well in moving forward the program. All the agencies have cooperated well in moving forward the programs. The delays that have taken place have been caused by the complexity of the problems.

43. Just what does the Secretary of Agriculture have authority to do in order to carry out his responsibility under the act?

Answer: The Department of Agriculture can initiate any proposal it wishes to make. It can refer any unresolved issue to the Francis committee. The Secretary of Agriculture can take any matters up with the Cabinet or with the President.

44. Off the record.

45. Are you familiar with Public Law 664, the cargo-preference bill, sponsored by Senator Butler? What was the position of the Department of State on this bill which requires that 50 percent of all cargoes financed under Public Law 480, 665 or the Export-Import Bank be moved in United States bottoms?

Answer: The Department of State opposed legislative proposals which later became Public Law 664. The Department's opposition resulted not from a lack of interest in United States shipping but rather from a fear that extension of the principle of cargo preferences would not only damage United States foreign-policy objectives but would stimplate other countries to apply cargo preferences to commercial cargoes thereby damaging the United States merchant marine. In appearances before Senate and House committees, the Department stated that, in its opinion, such legislation (1) would be premature inasmuch as the Department of Commerce, by direction of the President, was conducting a study on the extent to which direct aid could be utilized to maintain an adequate merchant marnie; (2) would be unnecessary since American vessels were already carrying more than 50 percent of Government-owned or Government-financed cargo; (3) would encourage the already alarming tendency toward the reservation of commercial cargoes abroad; and (4) might have an adverse effect upon our foreign trade, including the disposition of agricultural commodities.

DISPOSAL OF AGRICULTURAL SURPLUSES—COTTON

TUESDAY, MARCH 1, 1955

United States Senate,
Subcommittee on Disposal of Agricultural Surpluses
of the Committee on Agriculture and Forestry,
Washington, D. C.

The subcommittee met, pursuant to recess, at 10 o'clock a. m., in room 324, Senate Office Building, Senator James O. Eastland, presiding.

Present: Senators Eastland, Holland, Scott, Young, and Schoeppel.

Also present: Sam A. Thompson and Roy Hendrickson, advisers to the subcommittee.

Senator Eastland. The committee will come to order.

Mr. Robert Jackson.

Mr. Shaw, do you have a statement?

Mr. Flake Shaw.

STATEMENT OF R. FLAKE SHAW, EXECUTIVE VICE PRESIDENT, NORTH CAROLINA FARM BUREAU, GREENSBORO, N. C.

Mr. Shaw. Mr. Chairman, and members of the committee, I did not come in to make a statement. I am here from North Carolina, and we do have, of course, a vested interest in the cotton problem. I do not know what particular point you are interested in the discussion of, but our folks are not in favor of increasing the acreage.

Senator Eastland. Now, this committee has nothing to do with that.

Mr. Shaw. Nothing to do with that? Well, I am not——

Senator Eastland. We are interested in the disposal of agricultural surpluses.

Mr. Shaw. Well, we are very much interested in that, too.

We support the principles of the American Farm Bureau on the disposal of surplus produce. We certainly do want to thank the committee and you folks for working at it. We think it is our only hope for the future for our agricultural problems, and we want to express our appreciation for what can be done in that direction.

Senator Eastland. I thank you, sir.

Please identify yourself for the record, Mr. Jackson.

STATEMENT OF ROBERT C. JACKSON, EXECUTIVE VICE PRESIDENT, AMERICAN COTTON MANUFACTURERS INSTITUTE

Mr. Jackson. Mr. Chairman, gentlemen of the committee, my name is Robert C. Jackson. I am executive vice president of the American Cotton Manufacturers Institute, which has its headquarters at Charlotte, N. C. Our Washington office is located at 1625 I Street, NW.

Senator EASTLAND. Proceed, Mr. Jackson.

Mr. JACKSON. Mr. Chairman, if it would be in order, we have a statement here which we think would answer a good many of the questions you might have in mind. Also, at the suggestion of the committee, we have brought along some samples and exhibits which we think will help you gentlemen understand a little clearer some of the facts and factors relating to the subject being discussed, and we would like to show you those as soon as we get through with the statement, if we may.

Senator EASTLAND. All right, sir.

Now, do you want any questions while you are reading the statement, or do you want to go through it without interruption?

Mr. JACKSON. As you like. I would think that the statement might answer a good many questions.

Senator EASTLAND. All right, sir.

Mr. JACKSON. And the samples would answer more.

Senator EASTLAND. Proceed, Mr. Jackson.

Mr. JACKSON. Thank you, sir.

This special subcommittee of the Senate Committee on Agriculture and Forestry is to be commended for arranging this hearing with the objective of examining the many facts and factors having a bearing on disposal of surplus agricultural commodities. The American Cotton Manufacturers Institute, representing approximately 85 percent of the cotton spinning and weaving industry of this country, is genuinely appreciative for the opportunity to participate in this fact-finding procedure.

We should like to begin by emphasizing that the entire cotton textile industry is solidly behind the objective of maintaining a strong export market as one necessary requirement for a healthy cotton economy in the United States. You probably would be surprised to know how much time our own organization, in its board and committee meetings, has devoted to discussions of ways and means for the domestic manufacturing industry to assist in a positive way with stimulation of exports.

Our leaders realize the American cotton farmer cannot have prosperity working a base of 18 million acres for any extended period of time. Likewise, we know that farmers cannot achieve maximum efficiency if their production is geared to domestic requirements only. We readily concede the economic interest of our own industry in maintaining a level of cotton production in this country in excess of domestic requirements, thereby providing our mills with a selection of qualities and of growths, that is, areas of growths.

We share with the farmers their concern over the tendency of other cotton-producing countries to increase cotton acreage during the very periods when our farmers are decreasing theirs. The cotton textile industry has faced an identical situation for a good many years and we know first-hand what it means, as some of the balance of our testimony will show.

Textile manufacturers on many occasions have taken forthright action to back up sound programs for developing cotton consumption both here and abroad. The industry is constantly improving technology, continuing research and pushing aggressive promotional programs to expand the market here at home. And we will show you some samples to indicate some of those points in a few minutes.

Overseas the manufacturing industry has given, and will continue to give, active assistance in opening up markets for American cotton. Some of you know of our aggressive actions soon after the war, making it possible for the Japanese and others to purchase large quantities of American fiber. United States industry representatives at the International Textile Conference in England in 1952, gave the other major textile industries of the world a blueprint for expanding cotton consumption.

I will say there, Mr. Chairman, that a good many other countries of the world seem to have the idea that the way to solve the problem of international trade in cotton textiles is to divide up the markets. The philosophy of our industry has been that such procedure do not solve anything; that the only way you solve it is by attacking the factors all over the world which are affecting consumption of cotton products. That is the approach we have used, now, for some three years in our dealings with the textile industries of other nations.

Only recently a group of experts from American mills returned from participating in a firsthand study of European mill needs and problems regarding use of American cotton.

The truth is that the prosperity of the American cotton farmer and of the domestic cotton-manufacturing industry are interrelated; one is dependent on the other. Incidentally, I think any mill man in this country will admit that his periods of prosperity have been closely related to periods of prosperity for the farmers. If the farmer is in bad shape, the mill usually is, and vice versa.

The real interest of everyone concerned is the total market—both domestic and export—for American cotton; and it is only logical that every policy or plan affecting cotton should be evaluated accordingly. Actually, it is impossible to give complete consideration to the export market without equal consideration for the domestic situation—or vice versa—because both markets are affected so directly by international trade policies.

Bearing these factors in mind, we presume it is the desire of the committee for us, representing the domestic industry, to concentrate our discussion on some of the circumstances here at home relating to cotton's total market.

In this connection, there are 2 or 3 basic sets of facts relative to the domestic industry which are not generally known but which serve as important background information in any discussion of this sort.

First, while the cotton textile industry is by any standards one of the country's largest, it is made up of many hundreds of relatively small individual manufacturing establishments. Unlike the other large industries of America, where control is in the hands of a very few companies, no single textile establishment owns, controls, or operates more than 4 or 5 percent of the total spindleage. And incidentally, until some recent mergers, that figure could well have been 3 percent.

This means, of course, that the industry is terrifically competitive—probably more so than any other in the country. It means also that every individual unit is operating at the very peak of its efficiency at all times; otherwise it just can't last.

A second factor overlooked by many is that historically we are a textile-exporting country. Our industry has a capacity in excess of domestic requirements, and being located in the country of greatest

raw material supply, it is only natural that the United States industry expects, and is expected by other textile-producing nations, to share substantially in supplying the world's cotton textile requirements, just as we expect and are expected to share substantially in raw cotton exports. For many years Britain, Western Europe, India, Japan, and the United States have been the world's leading suppliers of textile goods.

Senator EASTLAND. Now, could you give us right there, or is it in your statement later, the number of bales of raw cotton that are represented in textile exports?

Mr. JACKSON. Yes, sir. I do have it in my statement.

Senator EASTLAND. Go ahead.

Mr. JACKSON. A third generally misunderstood factor relates to the product of the industry, that is, what it makes, what these textile mills make. Broadly speaking, the mills may be divided into four groups, according to their products.

Mr. Chairman, I make this comment because we find that so many people seem to think the average textile mill makes a completely finished product; that it makes a shirt or a dress or at least that it makes the finished fabric.

The first of the three groups are the so-called sales yarn mills which spin and sell yarn. I have some samples to show you. The yarn is sold to other mills for additional processing into woven or knitted fabric, and so forth. These mills consume a large volume of cotton and there are many of them competing for every pound of business.

The second category is the mills which spin the cotton into yarn and then weave it into fabric for sale in the gray; that is, a natural cotton cloth, unbleached and unfinished. Most of the mills fall into this category. Their gray cloth is sold to a convertor or fabricator for finishing according to his own specifications or manufacturing requirements. Thus the textile producer very often does not know into what use his cloth eventually will find its way.

Third, and a very important category, are the mills doing the entire process—spinning, weaving, or knitting, and finishing. In some instances the final product, such as sheets, towels, bedspreads, or tablecloths, is made and packaged, complete for the store counter. In other instances a finished fabric, such as dress goods or drapery material, is made and sold for further processing into one of the hundreds of consumer products.

Obviously, there are many other components of the textile industry and in describing these three we are dealing very generally with the subject.

Another factor you should know about—and it applies both here and abroad—is that in years past lines were drawn rather sharply between processors of various types of fiber. There were woolen mills, silk mills, and cotton mills. But along in the thirties a very significant development began to take place. Synthetic fiber—principally rayon—came into its own and was adapted to the so-called cotton system of spinning and weaving. A cotton mill could, with very little adjustment and relatively little expense, change over from the manufacture of cotton to the manufacture of rayon.

In the years since, through the work of the giant chemical companies which produce the synthetics, through the work of textile manufacturers and research laboratories, this whole process of synthetic

fiber manufacture has been accelerated and improved upon, in its adaptation to the cotton system.

The result is that today a great number of cotton mills have learned, and have adapted their operations, to spin and weave synthetics.

The single-fiber mills are becoming fewer in number. During the past few years there has emerged the multifiber manufacturer, that is a mill capable of handling cotton, rayon, dacron, acetate, orlon and—in many instances—wool.

This means—and I cannot overestimate the fact, Mr. Chairman, that cotton's first point of competition is at the mill door. The millman now has a choice of fiber. Obviously, he is going to make what the consumer wants. And we are doing a good job in this country in making the consumer want cotton.

But it is very important to remember that the millman, with his agents and contacts in all the markets of the world, with his stylers and designers, with his heavily financed advertising programs, with all of his fabric-making know-how, is tremendously influential in determining what the consumer wants.

Thus today, in light of the competition between fibers, one of cotton's primary responsibilities is to keep the millman sold on the fiber and its future, because if for any reason he shifts to a competitive fiber, then all his interest, his influence in the markets, his resources of development and selling, his advertising—in other words, his business allegiance—is shifted to the competition.

Of course, there are many factors involved in keeping the mills sold on cotton. Obviously, these factors, for our purposes here today, might be divided into two general categories—the tangibles and the intangibles.

Among the tangibles are such obvious considerations as quality, price, research, promotion; in other words, tangible evidence from the raw-cotton segment of the industry that it is going to keep its product competitive in every respect.

Senator EASTLAND. The first one is profit; is it not?

Mr. JACKSON. That certainly should be one of the items at the head of the list, Senator; its omission was not intentional.

It should be remembered that whereas most big industries of this country have considerable voice, and in some instances control, with respect to their raw materials, the cotton manufacturer has absolutely no control over his raw material until it reaches the mill warehouse. In other words, the millman must take the cotton provided by the cotton farmer—as is—and try to make it competitive.

The sole raw material of the single-fiber cotton mill is cotton, and on the 17 basic gray-fabric constructions which account for a heavy majority of the industry's production, probably 70 percent of it, the cotton cost alone represents more than 50 percent of the manufacturing and selling cost.

Last year, incidentally—I just checked the figures last night—the cotton cost on these 17 basic fabrics made by our industry, which account for 70 percent of its gross production, was 57 percent. This was the raw-material cost alone.

Senator EASTLAND. How much was labor?

Mr. JACKSON. Labor probably was—Dr. Murchison, about 40 percent?

STATEMENT OF C. T. MURCHISON, ECONOMIC ADVISER, AMERICAN COTTON MANUFACTURERS INSTITUTE

Dr. MURCHISON. Yes. The labor on gray goods would be about 45 percent.

Mr. JACKSON. Forty-five? It should not be that much. Of course, last year was a nonprofit year.

Dr. MURCHISON. No. I am mistaken about that. Let me explain it a little further. According to the Department of Agriculture on this basic construction, the raw-material cost will range from 50 to 55 percent. The remaining 45 percent includes all of the manufacturing costs, of which labor will range from 30 to 40 percent on gray goods.

Mr. JACKSON. Thank you.

Senator EASTLAND. How much is profit?

Mr. JACKSON. Well, for the last few years it hasn't been much. Last year our industry's earnings were about 1 percent on sales. And in that connection, the third quarter figures were only six-tenths of 1 percent of sales; the last quarter's earnings, 1 percent. I just learned last night for the first time, that since 1950, out of 20 quarters from 1950 through 1954, the earnings of the textile industry have not been, in a single quarter, equal to the average earnings of all industry in this country.

Senator HOLLAND. Mr. Chairman, just to get the record straight, you do not mean 30 or 40 percent of the balance. You mean 30 or 40 percent of the total, do you not?

Dr. MURCHISON. The total manufacturing costs on the average. Now, the actual labor costs depend on the fineness of the goods, naturally.

Senator HOLLAND. From 30 to 40 percent of the total manufacturing cost?

Dr. MURCHISON. That is right.

Senator HOLLAND. And not of the total cost.

Dr. MURCHISON. Now, if we step up to the standard printcloth which we call 80 squares, there the percentage of labor cost is higher, and, according to the textile indicators, has ranged from 50 to 65 percent, because there you have your yarns, you see, in the upper brackets. As you step down to the lower, it gets less.

Senator HOLLAND. The thing I want to get clear in the record is that a statement awhile ago indicated that the cost of labor amounted to 30 to 40 percent of the balance of the cost. But it is 30 to 40 percent of the entire cost.

Dr. MURCHISON. By total manufacturing cost, we mean all costs exclusive of raw materials.

Senator HOLLAND. And what percentage of those total manufacturing costs, now, are the labor costs, in the average gray goods?

Dr. MURCHISON. If we take the average gray goods it would be between 30 and 40 percent. It would be a little bit nearer to 40 than to 30, I think, on the average. If you take the better quality gray goods, that would be a much higher figure, 50 to 65.

Senator HOLLAND. You have not made it clear yet. Is it 30 to 40 percent of the manufacturing cost or of the total cost?

Dr. MURCHISON. The total cost exclusive of raw materials. That is the best way to put it.

Senator HOLLAND. Then is it of the manufacturing cost?

Dr. MURCHISON. That is right; plus selling costs; plus overhead; plus depreciation.

Senator HOLLAND. In other words, if the manufacturing cost happens to be 50 percent of the total cost, it would be 30 to 40 percent of that 50 percent?

Dr. MURCHISON. That is right.

Senator HOLLAND. Thank you.

Dr. MURCHISON. I think it is very important in that connection to realize that the percentage of labor cost steps up very rapidly as you move into the finer categories of yarns and fabrics.

Senator HOLLAND. Thank you.

Senator EASTLAND. Proceed.

Mr. JACKSON. When it is considered that the sole raw material of the cotton mill is grown under controls, marketed through a price-supported system, subjected to rigid import quotas, and otherwise the subject of much legislative and administrative consideration, one can begin to understand how delicate and uncertain a situation is created for the mills that consume the fiber and want to keep on consuming it. National cotton policy—Government policy—is, therefore, one of the intangible factors affecting cotton's competitive position at the mill door.

Senator YOUNG. May I ask a question, please?

Would there be more gamble or risk if you had no price-support program at all and if you had wide fluctuations in cotton prices?

Mr. JACKSON. We should have somebody else, I suppose, answering that besides me. I should make the point here that this industry as a matter of policy has never opposed the price-support program at any level of support.

Senator YOUNG. It may have some drawbacks, but it does provide ample raw material at stable prices, does it not?

Mr. JACKSON. Yes; it does. Of course, back before that there was, I suppose, a much more effective futures exchange operation than now.

Senator EASTLAND. Well, you could hedge on cotton.

Mr. JACKSON. Yes; you could hedge, with some assurance that your hedges were accurate. I think that since that time probably the hedges have not been as completely protective as they were when there were free fluctuations.

Senator YOUNG. The price of cotton now depends more on what the Government is going to do?

Mr. JACKSON. That is certainly a major factor.

Right now the textile industry faces a real problem relative to competition from low-wage countries. This problem pertains directly to your consideration of export policy and we believe you will be interested in some of the facts.

Today, the domestic industry is more concerned than I have ever known it to be, and I have been employed by it for 6 years now.

These reasons can be stated rather briefly in four parts:

One, for 2 years the cotton textile industry has suffered a serious depression, its earnings in the last year being at a rate of only about one-fourth of industry earnings generally. The 1954 financial statements of many of the best mills in the industry are reflecting losses.

Numerous mills have been forced to close their doors permanently and many others have been saved only by mergers or reorganizations.

In the main it is a price depression. Volume is relatively good and most mills are running fairly full schedules, but competition is such that they simply cannot sell their product at a decent profit, or in many instances, at any profit.

Despite our own depressed price structure—this is factor No. 2—substantial quantities of foreign textiles, notably from Japan, are now flowing into the United States market, undercutting the current low-price levels. This inflow clearly indicates that the present tariff structure, which has been reduced to a much lower level than most people realize, does not stand as a barrier to imports.

Senator EASTLAND. Now, what has been the reduction on textiles?

Mr. JACKSON. Textile tariffs overall have been reduced about 37 percent.

Senator EASTLAND. What percent are they now?

Mr. JACKSON. The average percentage of textile tariffs now, according to the Tariff Commission, is about 22½ percent, based on foreign valuation.

Senator HOLLAND. Is that a uniform tariff?

Mr. JACKSON. No, sir; not at all.

Senator HOLLAND. Does it not differ as between the treatment of more friendly or more favored countries, and less favored countries?

Mr. JACKSON. Dr. Murchison is our expert on tariff, and he is here. I think it is correct that our tariffs are generalized to all of the GATT participants and to Japan.

Is that correct, Dr. Murchison?

Dr. MURCHISON. Yes; more than the GATT participants. It is generalized to all of the free countries of the world. The only exception is Communist areas. They do not have the benefit of the tariff concessions that have been granted under the trade-agreements program. Other countries do.

Senator HOLLAND. Then there is no differential between any group of countries regardless of their closeness to us, as we have in the case of the sugar imports, vegetable imports and the like, where we have favored nations that get better tariff rates than others?

Dr. MURCHISON. That is exactly right. There is no differential applied to cotton textiles.

Senator HOLLAND. Now, that is what you like, is it not? You prefer to have it that way?

Dr. MURCHISON. Well, we are not so sure. It depends on what may happen in the future. You see, the problem is this: Japan has labor costs that are so much lower than any other country in the world that concessions granted the European countries are likely to be for the benefit of Japan. Japan is now exporting more than all of the other countries of the world put together, to the United States, and may well monopolize import business in the United States.

Senator HOLLAND. Are you suggesting that you would like to have tariff rates higher to nations that have the lowest wage rates?

Dr. MURCHISON. It may not necessarily have to be in the form of tariff rates. It could be in the form of some other restrictions, such as——

Senator HOLLAND. Quotas?

Dr. MURCHISON. Something of that kind. There are various ways of doing that.

Mr. JACKSON. In that connection, I think one of the difficulties the industry faces now is that the tariff concessions in effect were granted originally to England and to the countries of Western Europe, such as Germany. They were based on conditions existing in those countries, on competitive factors existing there. There is an entirely different set of competitive factors existing in Japan.

Senator HOLLAND. You mean principally with reference to the cost of living?

Mr. JACKSON. Yes, sir; and also machinery and know-how.

Senator EASTLAND. What is the difference in the production per man-hour of an American textile worker and a Japanese textile worker?

Mr. JACKSON. I do not have any figures readily available to answer that. We do know that even during the past 4 years, they have made remarkable progress in stepping up the efficiency of their individual workers. We were rather surprised to learn from one of the missions that went there last year, that in some instances their workloads are now greater than workloads in American textile mills; that is, in the number of spinning frames or looms attended by an individual worker.

Senator EASTLAND. That is in some instances?

Mr. JACKSON. Yes. I am sure that would not represent an average.

Senator EASTLAND. But as a rule, their textile industry is archaic by our standards, is it not?

Mr. JACKSON. Not Japan's, no. As a matter of fact, as I shall point out shortly, in the case of Japan it is pretty definite that their industry on an average is more modern than our own now, because it was entirely, or almost entirely, rebuilt after the war.

Senator EASTLAND. Who financed it?

Mr. JACKSON. You know that better than I.

Senator EASTLAND. No, I do not know it better than you. I have never been to Japan.

Mr. JACKSON. I would assume, Senator, that since we have spent so much money in Japan since the end of the war, that either directly or indirectly it has been largely financed by the United States Goverment.

Senator YOUNG. One of the arguments that is presented in favor of lower tariffs is to permit a country like Japan to earn dollars to buy agricultural commodities. Presently Japan cannot even buy rice from the United States, because our State Department has a policy against buying rice over here, and if they want to buy wheat, they have to get the consent of other wheat-exporting countries.

It seems to me we are going a long ways in trying to help other countries. We are helping them more than we are our own people.

If these tariffs were related somewhat to the wages paid in the foreign countries, I would think more highly of it myself.

Mr. JACKSON. Yes, sir. That is the great problem we are facing, the wage issue.

Senator YOUNG. I do not see how you or anyone else can compete with a wage scale that is half or a third what ours is.

Mr. JACKSON. Much less; much less than that.

Senator SCHOEPPEL. Mr. Chairman, the import of what you are saying here, up to this point, is that from a competitive angle your industry is in trouble regarding low profits.

Mr. JACKSON. Yes, sir. We are already in trouble without the introduction of any new factors.

Senator SCHOEPPEL. You have to resort, now, to refinancing and consolidations. I presume, then, you look with much concern and with some great alarm upon what might happen should a further reduction in the tariff occur or what might come out of some of these trade agreements. Is that a fair statement or not?

Mr. JACKSON. Yes, sir. That is my very next point in the prepared statement.

Senator HOLLAND. Mr. Chairman, might I ask one question at this point? The purpose of my question is not regional in any way, but it is simply to bring out the facts.

Is there any difference between that portion of the textile industry which is in the South and that which is in New England with reference to distress under current conditions?

Mr. JACKSON. Do you mean relative to this tariff problem or speaking of the economic situation generally.

Senator EASTLAND. You mean from a profit angle, do you not, Senator?

Sentaor HOLLAND. Treat it from both angles, if you will.

Mr. JACKSON. While I am not absolutely sure of this, I expect that generally the New England mills are probably having a little harder time than the mills in the South. Any depression in the industry usually hits the northern area a little earlier. But with respect to the tariff problem, the South is certainly as much and perhaps more concerned with that, because the type of cotton goods production in Japan is more nearly in line with the type of production in the South. The impact of Japanese competition will hit the overall production of the South, we think, harder than the overall production in New England.

Senator EASTLAND. Why are these mills moving South?

Mr. JACKSON. There are many factors involved, I suppose, Senator.

Senator EASTLAND. Is it because labor in the South is more productive?

Mr. JACKSON. I suppose it would be accurate to say the mills have found that the climate generally, the economic climate in the South, is more favorable. I think that some of the mills would say their labor has been more efficient in the South. There are many things, of course, related to that. The southern mills are not generally unionized; the northern mills generally are.

Senator EASTLAND. One of the factors is that they are scared of the CIO, is it not?

Mr. JACKSON. Well, I don't believe I could comment on that, Senator.

Senator HOLLAND. Mr. Chairman, if I have understood the witness, his general statement from the regional standpoint is this—and if I am not correct, I want him to set me right—that so far as the general distress from call causes is concerned, he thinks that there is more trouble in the New England mills, but so far as the direct impact of the competition of the cheap cloth from Japan is concerned, he thinks

that it is on the southern part of the industry and on the southern mills. Is that correct, Mr. Jackson?

Mr. JACKSON. Yes sir; fully as much, in our opinion. I say that, Senator, because a lot of people have thought the impact was falling largely on the New England industry. But that just is not true when you realize that most of the goods which are coming in from Japan are the types of goods made in the South.

Generally, the New England mills make the fine goods, that is, the fine-count yarns, where labor is a big cost item. Because of many factors, the Japanese do not seem as adept at this type production.

You see, a single spindle can handle perhaps twice as much load on a coarse yarn as it can on a fine yarn, and most of the mills in New England are fine-yarn mills. This means that the labor cost goes up in proportion to the fineness of the yarn and the fabric.

Senator HOLLAND. Is what you are saying that a large part of the cheap product is produced by the Southern mills and that it is that product in which the Japanese are most highly competitive?

Mr. JACKSON. Well, yes, sir. It is the coarseness of goods; not necessarily cheap in the sense of quality, but in the sense that they are the coarser goods as distinguished from the very fine goods.

Senator HOLLAND. I understand that. There is no suggestion of shoddiness.

Mr. JACKSON. Oh, surely, I realize that.

Senator HOLLAND. But it is this question of the cheapness of cloth and the simplicity of design?

Mr. JACKSON. That is right as distinguished from fine-count goods.

Senator HOLLAND. And most of that is produced in the Southern mills?

Mr. JACKSON. Yes, sir.

Senator SCHOEPPEL. Would that follow through even outside the strictly cotton industry? By that I mean, would it follow through on, say, rayons and other new synthetics?

Mr. JACKSON. I would like to refer that, if I may, to Dr. Murchison. He has had many years' more experience on the technical side than I have.

Dr. MURCHISON. As I understand, the question is, is the rayon fabric situation in the South essentially similar to New England?

Senator SCHOEPPEL. Yes.

Dr. MURCHISON. I would say that in New England the main difference is this, that the proportion of textile operations in New England on synthetics is much greater than in the South, very much greater, and also they tend more to the finer fabrics and to what we call specialty fabrics.

Senator HOLLAND. May I ask one more question, Mr. Chairman?

Senator EASTLAND. Yes.

Senator HOLLAND. Am I correct in my understanding—and I am just a layman in this field—that there are many mills that weave a composite product, that is, composed partly of cotton and partly of synthetics?

Mr. JACKSON. Much more attention is being directed to that in the industry than heretofore; yes, sir. That is becoming a very significant development, the blending of various types of synthetics, the blending of synthetics with cotton, the blending of synthetics with wool.

Senator HOLLAND. Is that found in only one area or is that general to both New England and the Southern industry?

Mr. JACKSON. I think that is general, yes, sir.

Senator EASTLAND. Mr. Jackson, you have a very able and very intelligent statement. I have read on ahead of you. I am going to ask you a few questions because I have got to be gone for just a few minutes.

You were reared, were you not, on a cotton farm?

Mr. JACKSON. Yes, sir.

Senator EASTLAND. In Mississippi?

Mr. JACKSON. Yes, sir.

Senator EASTLAND. You were formerly with the National Cotton Council?

Mr. JACKSON. Yes, sir.

Senator EASTLAND. Of course, you know at first hand the problems that the cotton grower, that segment of the American cotton industry, faces?

Mr. JACKSON. Yes.

Senator EASTLAND. Would you agree that if the American cotton grower is to prosper, there have got to be two factors? First, there has got to be a domestic consumption of 8 million bales of raw cotton or more. Is that accurate?

Mr. JACKSON. I would say that is the minimum.

Senator EASTLAND. That is the minimum; yes, sir. And he would have to participate in the export market to the tune of about 6 million bales, would he not?

Mr. JACKSON. That certainly would be a worthwhile goal.

Senator EASTLAND. Now, is it not true that if he is to prosper, he has got to be able to produce a crop of 14 million to 15 million bales of cotton?

Mr. JACKSON. That is right. We certainly concur.

Senator EASTLAND. Now, of course, that means he has got to have markets for that amount of cotton, because markets are everything?

Mr. JACKSON. Yes.

Senator EASTLAND. That export market today would run from four to four and a half million bales, would it not?

Mr. JACKSON. That is correct.

Senator EASTLAND. Well, now, what is the best way to increase those export outlets to 6 million bales? You are consuming 8 million bales or better domestically.

Mr. JACKSON. We are consuming almost nine, Senator.

Senator EASTLAND. All right. Nine, whatever it is.

Mr. JACKSON. We think that nine is a pretty safe figure to count on.

Senator EASTLAND. All right.

Mr. JACKSON. We have thought that we would like if possible to get this export volume built up to around 5 million bales, and hold it; and then try, of course, to increase this domestic consumption, because there is certainly a wonderful possibility here.

Senator EASTLAND. I do not think that 5 million bales is adequate. But, say, 5 million or 6 million, compared to 4 million to 4,500,000 now. About 2 million bales of that is being exported under different give-away programs, is it not?

Mr. JACKSON. Yes, that is so.

Senator EASTLAND. Now, what is the best way, in your judgment, to build a sound market where we can sell 5 million or 6 million bales of cotton and be paid in dollars?

Mr. JACKSON. Well, obviously, Senator, there are many factors involved, and we would not pretend to know all the answers.

Senator EASTLAND. I am asking you your judgment, now. You know this question.

Mr. JACKSON. Let me state it this way: The free world outside the United States is consuming about 18 million bales of cotton a year right now. Of that, this year we are supplying about 4½ million bales; in other words, about 25 percent of it. There are special factors involved in some of the total which make it impossible for us in the foreseeable future to take it away. For example, India is consuming a substantial amount of her own production. The textile industry in Brazil is gradually and slowly being built up.

Senator EASTLAND. Let us pinpoint it a little further. The international trade in cotton outside the United States will run about 13 million bales, will it not?

Mr. JACKSON. Yes, that would be about right.

Senator EASTLAND. All right.

Now, of course, we cannot break into a country that is growing cotton and consuming it there.

Mr. JACKSON. That is right.

Senator EASTLAND. So the market is around 13 million bales. Now, what is the best way to participate in that market to the tune of 6 million bales or 5 million bales?

Mr. JACKSON. There are, of course, a lot of factors involved, as I stated. In our system and in any system, the question of price always is a very major factor.

Senator EASTLAND. Well, it is fundamental, then, that the first thing that you say is that we have got to be competitive.

Mr. JACKSON. We have got to get ourselves competitive. We have got to be competitive in price; we have got to be competitive in quality; we have got to be competitive in——

Senator EASTLAND. Well, we are competitive in quality.

Mr. JACKSON. Yes, we are competitive fully, in quality.

Senator EASTLAND. When our price is above the world price, of course, our exports fall, and we become a residual supplier; that is correct, is it?

Mr. JACKSON. Yes, sir.

Senator EASTLAND. That means, does it not, that we have either got to have subsidized exports in some manner or that there must be a reduction in the total cost price of cotton, both domestically and abroad, does it not?

Mr. JACKSON. Yes.

You asked me what I think personally. That seems to me to be inevitable, if we are going to face all the forces of competition. And we haven't even mentioned the main one which is competition from synthetic fiber.

Senator EASTLAND. Well, I am going to get to that. But is there any other way to participate to that figure in export trade unless we are competitive?

Mr. JACKSON. Well, frankly, it would seem to me doubtful. I do think there are some things that can be done around the world that have not been done, which would stimulate exports.

For example, Senator, we have had in this country for a good many years, as you know, a policy on the part of some of our agencies of Government to try to help everybody, it seems, in many instances without too specific a pattern as to the end objective.

Now, we know for a fact, looking at the situation country by country all around the world, beginning with the South American countries and moving on out into the eastern part of the world, that in each of these countries, in any one of them, there are a series of factors affecting the ability of the people either to obtain textiles—cotton goods—or to afford them. In many instances our people feel that some of those factors, at least, could be overcome.

Certainly, we could start overcoming them if we had a policy emanating from the very top levels of this Government aimed at really helping and urging people to do for themselves rather than to think only in terms of what they can get without doing for themselves.

Senator EASTLAND. I do not know what you mean.

Mr. JACKSON. Well, let us take, for example, the administration of tariff policy. Under the Reciprocal Trade Agreements Act, we said, "All right. We will reduce tariffs if other cooperating countries will reciprocate."

But what has happened? In the years while we have been gradually whittling away at our tariff structure, we have seen these other countries, beginning down in South America, building up all sorts of trade barriers against cotton textiles, not just from this country but from all countries, many countries.

Senator EASTLAND. Well, if we are going to build up tariff barriers in this country in textiles, we surely cannot howl about other countries doing the same thing.

Mr JACKSON. We have completely adequate production in this country, Senator. We have the industry. We have the raw material. Many of the countries that I am talking about have to buy their textiles, but they have set up such extensive barriers that in many instances they are pricing the goods, actually, out of reach of the average individual.

In some of the South American countries right now, textiles are selling at 2 or 3 times the prices they are selling here.

Senator EASTLAND. Yes. I can see, of course, that that, to a degree, would affect the consumption of American textiles.

Now, I was speaking of the participation of the United States in the export cotton market.

Mr. JACKSON. Yes, sir.

Senator YOUNG. Would you mind an interruption at this point?

Senator EASTLAND. Yes, sir.

Senator YOUNG. I was talking with a watch manufacturer a few months ago and, of course, he was opposed to lowering the tariffs and letting in more foreign watches. His argument was—I think it would apply to cotton, and I wonder if you would not agree—that the watch manufacturers of Europe could create a market over there if they were willing to pay their labor a little more, as we do here. We pay our labor enough so that they can buy watches, and he said they do not do that in the foreign countries.

Would it not help some if the textile manufacturers in some other countries who expect to gain free entrance to our market, would pay their own labor a wage somewhat equivalent to our own here?

Mr. JACKSON. We certainly think, Senator, there are a good many things that can be done in many of these countries to stimulate consumption of textiles. Right now, as you may know, the cotton industry, through the framework largely of the National Cotton Council and through the cooperation of the Department of Agriculture, is setting up programs in many countries of Europe, aimed at doing what we are trying to do here. That is, stimulate our own market.

I do not think there is any doubt that we have seen it demonstrated how the cotton forces of this country can lift and have lifted their own level of cotton consumption through programs of research, promotion and advertising, and other techniques that have been employed by, and benefited other products in the past.

Much of that type of thing undoubtedly can be done, particularly in the countries of Western Europe.

Three years ago a proposal was first presented to other textile producing nations by the American delegation at the first international cotton textile meeting ever held. We laid out at that meeting a blueprint for increasing consumption of cotton goods in these countries. At first they took it very lightly. They just did not go for it, it was entirely different from their past ideas as to the proper ways to handle their markets.

But now the idea has caught on. They have tried it in some areas. They realize positive things can be done to increase consumption, and certainly the factor you mentioned of a gradual step-up in standards of living is directly related.

Senator HOLLAND. Mr. Chairman.

Senator EASTLAND. Senator Holland.

Senator HOLLAND. I would like to ask this question:

What you are talking about now is things that industry can do for itself?

Mr. JACKSON. Yes, sir.

Senator HOLLAND. You do not mean that the Government can get into the field that you have just mentioned?

Mr. JACKSON. No, except to give encouragement to this sort of approach through its policies. We have many agencies, of course, dealing with foreign governments at many levels. We wish there could be some policy emanating from top levels of Government and filtering all down through, making it one of our real prime objectives to try to do a good job of opening up these markets and attacking the factors at their source, the factors which affect the ability of the people to get goods, not only textiles but other things that they need as well.

Senator HOLLAND. Specifically, what could Government do in this field?

Mr. JACKSON. Well, for example, Senator, we have had a problem in the textile industry very much like that which the farmer has now. Today we see the production of cotton, the acreage of cotton, being pushed downward in this country while during the very same period other countries are increasing their cotton acreage. It is a terribly disturbing thing, of course, to the farmers and to the whole cotton industry.

We have had exactly that sort of thing going on in the textile industry for a long while.

Take the case of Pakistan. Our Government people went in there and helped Pakistan build a textile industry. It was a small industry; it still is. It is not adequate. It does not provide anything like the variety of goods that the Pakistan people need. But they immediately put up a barrier around that industry which prevents the people from getting anything like the variety of goods that they want and can afford to pay for.

In other words, the net effect of that operation has been to reduce consumption of textiles, as we understand it, in Pakistan.

In other instances, United States officials have gone into areas and have attempted to help people overseas build textile mills to solve their clothing needs when, in reality, their greatest problem is fabrication. The underdeveloped nations have learned nothing about the mass producing techniques that we have in this country, where we turn out dresses that sell in the department store basements and some of the chain stores, nice cotton house dresses, for $3.50 to $5. They do not know anything about those mass production techniques which bring the cost of garments down within reach of the people.

During this period when our Government has been trying to help by going in and building mills, far better results would have been achieved by concentrating attention on the real factor that is putting clothes out of the reach of the people. This is just one illustration. There are many such factors that could be cited by some of the experts who have been studying this field.

Senator HOLLAND. Do you mean that when our Government extends economic aid to a country, it ought to be on the condition that that country not put up a barrier around the industry that is created through that aid?

Mr. JACKSON. No, sir; we are not suggesting that. We are suggesting only that as a policy our Government try to bear in mind that in each of these countries there are many factors which are affecting either availability or consumption of products, and then try to deal with those factors specifically.

Senator SCHOEPPEL. Mr. Chairman.

Senator EASTLAND. Yes, Senator.

Senator SCHOEPPEL. I would like to ask you one further question here, to bring out your own views, in order that we can throw it out for what it might be worth.

You mentioned a while ago that the price factor is a competitive thing.

Mr. JACKSON. Yes, sir.

Senator SCHOEPPEL. Our standard of living, our wage structure, long-time contracts or short-term contracts between workers and management, all contribute to the price of the article, whether it is unfinished goods, whether it is finished goods, whether it is the manufacturer who turns out these dresses you are talking about.

Now, going back to your cotton industry, we have heard some suggestion, and it is a troublesome thing, about how we are going to break into this foreign market, into the producing countries. Outside of Japan, from what you say, they have not yet risen to the American standard of production. By and large they have the same skilled workers, and certainly new, improved machinery now, and an ingenious people.

Mr. JACKSON. Yes, sir.

Senator SCHOEPPEL. Now, if we are going to break into the export market, and if the cotton industry has to be protected in this country, just the same as other agricultural products, such as wheat and some of these other things, what do you think about the theory advocated and advanced, of a two-price system?

Mr. JACKSON. We are going to deal with that extensively here on the next page or two, Senator.

Senator SCHOEPPEL. Excuse me.

Mr. JACKSON. I will be glad to get into that now but I think it can be done more intelligently by following these notes.

Senator SCHOEPPEL. All right. Go ahead. I did not know you were going to raise that.

Senator EASTLAND. That was the next question I was going to ask you.

Mr. JACKSON. All right.

Since most of the imports coming in now are in what the industry terms is basic constructions, that is, its basic fabrics, it is obvious that even very modest imports can play havoc in prolonging or accentuating the present price depression.

The third factor: Although present textile tariffs obviously are not preventing imports—and that is under present authority—the list of items currently being negotiated at Geneva for the purpose of granting further tariff concessions to Japan includes fabrics representing about 90 percent of the entire production of the American industry. Those negotiations in Japan, as you know, began last week, I believe.

Senator HOLLAND. In Geneva, you mean?

Mr. JACKSON. Yes, sir.

No other American industry of any size has been singled out for anything like such broad treatment. As you of course know, these current negotiations at Geneva are being conducted under existing authority and are entirely apart from H. R. 1.

You can well imagine the concern in our industry when there already is a depressed condition; when Japanese goods are being imported at a rate unequaled since 1937; and when, at the same time, practically everything that is made by the industry is up for further tariff reductions right now.

But that isn't the whole story. H. R. 1 as it passed the House not only contains authority to cut tariffs another 15 percent in 3 years; it provides that such cutting authority be applied to rates existing as of June 30 of this year. Thus for our industry, which has most of its products under negotiation in Geneva right now, H. R. 1 is a completely unknown quantity, because there is no way for us to know what will happen at Geneva between now and June 30.

Taking into consideration these four factors, it is obvious why the cotton mill industry is in a state of near panic.

Spokesmen for cotton textile manufacturers often are asked why it is that such a large and basic American industry cannot meet foreign competition as some others say they can do. The answer lies in the very basic differences which exist between the manufacturing cost structure of our industry, and that of most others.

The manufacture of most cotton textiles is a universally known process, involving precisely the same series of operations on the same kinds of machines.

Three factors—machine utilization, or machine efficiency, you might term it, cotton, and labor—account for most of the manufacturer's cost of producing textiles. Thus our ability to compete with foreign textile production is directly contingent on our ability to compete in these three cost areas. The facts are as follows:

(*a*) Foreign industries are making rapid gains in technology and efficiency. The industry of Japan, for example, is virtually new. Destroyed almost entirely during World War II, that industry has been rebuilt with the finest equipment available, much of it financed by our Government. Overall, it is generally conceded that the Japanese industry is more modern than the average of our own. Thus the American industry enjoys no competitive advantage with respect to machine utilization; in fact, Japan may hold the advantage.

(*b*) With respect to raw cotton supplies, American cotton is available to foreign mills for virtually the same price that our own mills pay. This is true because the cost of ocean transportation is no greater than the overland cost to American mills. In addition, if the mills of Japan or any other country can make a better deal for their cotton elsewhere, they are free to do so. Our mills, of course, do not have that opportunity, since imports of cotton are rigidly controlled and there is a minimum price on the domestic production.

(*c*) This leaves the wage-cost factor as the only real area of competition; and here, as you know, foreign competitors have an overwhelming advantage. In the case of Japan and India, their wage rates average only one-tenth or one-twelfth, respectively, of prevailing rates in American cotton mills.

Incidentally, the average textile wage in the United States today is $1.30. The average textile wage in Japan, according to the Bureau of Labor Statistics, in a recent publication here, is 13.6 cents per hour.

Without some measure of safeguard or tariff equalization, the American industry cannot possibly confront such odds. Yet present proposed tariff legislation, the Geneva trade conference and a pending direct trade treaty with Japan, all threaten to expose American mills more specifically to that kind of wage competition.

It is for these reasons just enumerated that the cotton textile industry looks with such fear and trembling at any proposal to let foreign mills have American cotton at prices lower than the domestic mills pay.

Senator EASTLAND. All right, now, if they cannot buy the cotton from this country they are buying it from other countries, and the production of cotton in those countries is being expanded. In other words, if the American cottongrower loses that market it is picked up by a Mexican or Brazilian source of supply, isn't it, at a lower price?

Mr. JACKSON. Yes, sir. Sometimes at a lower price. In many instances they apparently are taking the dollars they are earning here and are buying their cotton from Mexico and Brazil at a lower price just under the American market, or they are entering into some sort of——

Senator EASTLAND. I say, where are you as a textile industry hurt? You say that the American farmer shouldn't sell at a lower price abroad than he sells in this country, but if he doesn't sell it there, somebody else does. And your textile competitor abroad gets it at the cheaper price anyway.

Mr. JACKSON. I think there are two factors involved there, Senator. It is one thing for the foreign textile manufacturer to be able to get cotton by shopping around in the world market at a price just barely enough below the American price in order to get the business. This would contrast considerably with a proposal that might have the effect of giving him a price which is a specific number of cents below the American price. Or, perhaps another effect of the proposal would be to influence the world price outside the United States in such a way as to make this cotton available to the foreign competitor mills at considerably less.

Senator EASTLAND. What you are afraid of, then, is a program that will reduce world cotton prices; is that it?

Mr. JACKSON. Well, put it this way. We are afraid of a program that will have the effect of giving the foreign manufacturer cotton, and particularly American cotton, at prices lower than the American mills pay.

Senator EASTLAND. Well, if he is going to get it at a lower price from somebody else he still has that competitive advantage.

Mr. JACKSON. He may have it, but in a much less degree, Senator.

Senator EASTLAND. I say, then, what you are afraid of is a break in world cotton prices, is that it, prices outside the United States?

Mr. JACKSON. Yes.

Senator EASTLAND. We could be left with a 90-percent support price that you would have to pay here, and we would buy cotton at a drastically lower price; is that it?

Mr. JACKSON. Yes, sir.

Senator EASTLAND. What do you think is going to happen to world cotton prices when there is an additional acreage each year that produces a million to a million and a half additional bales every year? Isn't it going to be like what happened in the cattle market, the herds increased and increased until there was a terriffc break?

Now, isn't that going to happen in cotton regardless of whatever the policies of the United States Government are?

Mr. JACKSON. Well, I don't know, sir. For a while——

Senator EASTLAND. You are bound to know.

Mr. JACKSON. For a long while they haven't broken, they have been running pretty close to the support structure of this country.

Senator EASTLAND. I know. When they continue to expand production abroad, certainly that increased production abroad is not going to put cotton prices up; is it?

Mr. JACKSON. It is not logical that it would.

Senator EASTLAND. Of course not. And if it is long enough, you know it is going to break the world cotton market.

Mr. JACKSON. If it builds up a great enough volume, certainly it could.

Senator EASTLAND. Now, I want to ask you this question. Back in the late forties we had a subsidy. Senator Schoeppel spoke of the two-price system. How did you compete then? You were competitors then, because textile exports were subsidized; were they not?

Mr. JACKSON. That is right. As I recall, textile exports were subsidized.

Senator EASTLAND. All right. Now, Senator Schoeppel's question was concerning a two-price system. If we had a two-price system

with a subsidy on textiles that would make you competitive. What is your complaint?

Mr. JACKSON. Well, a subsidy on textiles would provide for part of the situation—that is, for the textiles that we are exporting or hope to export. But it would be necessary to have some sort of a tariff offset to prevent the goods from coming back into the United States——

Senator EASTLAND. Coming back into the United States, you are talking about a quota. I agree with that. That would be true provided world prices were drastically lower than the prices in this country.

In other words, if foreign cotton prices would fall to 23 or 24 cents a pound, you think that goods would come, foreign textiles would come in over our tariff because their manufacturing cost would be greatly reduced; is that it?

Mr. JACKSON. I don't think they would have to fall anything like that much, because with cotton representing such a major portion of the cost, running over 50 percent on the basis of constructions in this country, it means that with less labor cost in foreign industries cotton would constitute an even greater portion of the cost. So a very small difference in cotton price would be an important competitive factor.

Senator EASTLAND. Now, what would it be?

Mr. JACKSON. You mean, how much difference would it make?

Senator EASTLAND. Sure.

Mr. JACKSON. Of course, any advantage that foreign mills have, Senator, would just make it that much easier for them.

Senator EASTLAND. You have got a judgement about that. What is your judgment? Would it be $10 a bale?

Mr. JACKSON. I think $10 a bale would give them a considerable advantage.

Senator EASTLAND. You think that could cause textiles to come in over tariff?

Mr. JACKSON. Yes.

Senator EASTLAND. I mean, in a volume where you would be badly hurt?

Mr. JACKSON. I think so; yes.

Senator EASTLAND. Now, 2 years ago Brazil broke the world cotton market; didn't she?

Mr. JACKSON. Yes.

Senator EASTLAND. How cheap did world cotton prices go then, because of the Brazilian policy?

Mr. JACKSON. I would have to check.

Senator EASTLAND. Well, is your man here so that you can check?

Mr. JACKSON. I don't know whether we have got any records here on the cotton prices or not.

Senator EASTLAND. Anyway, Brazil broke the world cotton market to where it was more than $10 a bale under our price; is that right?

Mr. JACKSON. That is my recollection.

Senator EASTLAND. Mr. Hynds, have you got some figures?

(Addressing William M. Hynds, cotton consultant, Washington, D. C.)

Mr. HYNDS. Not with me; no.

Senator EASTLAND. The Brazilian price got to 3 or 4 cents a pound under our price; didn't it?

Mr. JACKSON. Senator, I am sorry, I don't recollect.

Senator EASTLAND. Well, it did. Now, I want to know why it was that with a prevailing world cotton price at that time that this market was not flooded with foreign textiles, because the very thing that you say you are afraid of happened 2 years ago, and you were not hurt.

Mr. JACKSON. Well, Senator, I think we have an entirely different situation now, in that beginning about September of last year, for the first time in many years we have observed what appears to be a determined effort on the part of somebody to start entering this market. They are bringing in basic fabric constructions.

Senator EASTLAND. Why were they not coming in then?

Mr. JACKSON. They apparently chose not to come in. As a matter of fact, we haven't seen any real indications that the Japanese textile industry itself is too anxious to move in on this market, or at least to try very hard to move in on it. Many of the goods that have been brought in have been imported by international trading firms; many of them by American firms. I believe there are instances where American mills are bringing in grey goods and refinishing them here, because they buy them overseas cheaper than the goods can be made here.

But we do have now for the first time what appears to be a program aimed at bringing these goods into the American market.

Senator EASTLAND. Well, if they had thought they could ship into this country and make money, then, you know they would have done it, Mr. Jackson.

Mr. JACKSON. Well, there were many other considerations, Senator, at that time. Their markets at home were absorbing a lot of goods; they were moving out into other export markets.

Senator EASTLAND. No country has ever held back and exploited their home market at the expense of earning dollars. I think you know that is true of textiles and every other industry.

Senator YOUNG. Has the duty on imported textiles been increased in the last few years?

Mr. JACKSON. No, it hasn't been increased. Of course, though, it is under the process of negotiation now.

Senator YOUNG. It remains about the same as in the last 6 or 8 years?

Mr. JACKSON. Yes, sir. Relatively few imports came into this country until the last few years. For example, in the month of December a little over a million shirts came in the Port of New York. That is a small portion of the shirts that this country consumes. But it at least indicates that the goods can come in under the present tariff even with prices as low as they are.

Senator EASTLAND. Two years ago you were not troubled with the prospect of textiles coming into this country over the tariff?

Mr. JACKSON. Not particularly.

Senator EASTLAND. Then why at that time did you oppose, did the textile industry oppose, that cheaper export price for American cotton, cheaper than the domestic price, coupled with the fact that then your exports would have been protected as they have been heretofore through a subsidy?

Mr. JACKSON. Senator, there are 2 or 3 factors involved. One is that nobody ever gave us any assurance that our exports would have been subject to an offset subsidy.

Senator EASTLAND. Well, you were protected through a subsidy on textiles, Mr. Jackson.

Mr. JACKSON. Previously we were.

Senator EASTLAND. Certainly.

Mr. JACKSON. But nobody ever said that would be the case this time, and they wouldn't even talk with us about quotas, Senator.

Senator EASTLAND. You didn't take the position, Mr. Jackson, that that would be agreeable provided you were subsidized, your textile exports were subsidized, you took the position, did you not, that you just opposed it in toto?

Mr. JACKSON. We opposed it for the reasons, Senator, that we have been enumerating and that I am just about to discuss right here.

We haven't touched on the factor, I think, of greatest significance. My own feeling is that, given a subsidy on textile exports that would offset whatever cotton price advantage that is granted the foreigner, and given an import quota that would prevent the manufactured goods from coming into this country, it might be hard for the textile industry to argue against it. But I think at the same time, from the standpoint of the cotton farmer and the raw cotton industry, you would be playing into the hands of your greatest competitive force, synthetic fibers.

Senator EASTLAND. That is the next question I was going to ask you.

Senator HOLLAND. Before we leave that Japanese question, Mr. Chairman, may I ask one question?

Senator EASTLAND. Yes.

Senator HOLLAND. What part, if any, of the Japanese raw cotton comes from our country?

Mr. JACKSON. Last year 38 percent of the cotton they imported came from this country.

Senator HOLLAND. What tonnage would that be; how many bales?

Mr. JACKSON. In 1954 Japan consumed 2,442,000 bales. And of that, 946,000 came from this country, 38 percent.

Senator HOLLAND. Then when you are talking about Japanese textile production you are talking about a million bales of cotton produced by the American farmer?

Mr. JACKSON. That is right.

Senator EASTLAND. Well, it would ordinarily run more than that, because he is using a period there when Brazil broke the world cotton market and cost us half of our outlets.

Mr. JACKSON. Senator, that was the year before, in 1952, the 1952–53 crop year.

Senator EASTLAND. What will they import this year?

Mr. JACKSON. That was the last crop year which ended August 1, 1954.

Senator EASTLAND. You have got figures as to how much Japan will import this year of the American crop. What are those figures?

Mr. JACKSON. I don't have those figures.

Senator EASTLAND. It will be in excess of a million bales, wouldn't it?

Mr. Barringer, have you some figures there, sir?

This is Mr. L. T. Barringer, president, L. T. Barringer & Co., Memphis, Tenn.

Mr. BARRINGER. I think it would be a million bales, or close to it of American growth.

Mr. JACKSON. And their consumption this year will probably build up to 2½?

Mr. BARRINGER. No; I think their consumption this year will be just about like it was last year, maybe slightly under. I don't think there could be much increase this year.

Mr. JACKSON. If you would like to put it in the record, here is a breakdown on Japanese cotton consumption for the past 5 years showing in addition where they procured their cotton.

Senator EASTLAND. I think it should go in the record.

(The document referred to follows:)

Japanese cotton consumption

[Thousands of bales

Source	Crop year			
	1950–51	1951–52	1952–53	1953–54
United States	[1] 967.4	[2] 1,072.4	[3] 627.8	[4] 946.5
Mexico	158.5	148.6	505.3	477.8
Pakistan	257.9	234.3	440.9	380.2
Brazil	41.5	45.8	30.0	211.4
Egypt	48.4	42.6	84.9	93.1
India	36.3	47.2	172.6	(5)
Others	88.4	61.1	202.6	333.0
Total	1,598.4	1,652.0	2,064.1	2,442.0

1 60.5 percent.
2 66.2 percent.
3 30.4 percent.
4 38.7 percent.
5 Included in "others."

Source: International Cotton Advisory Committee.

Senator HOLLAND. The sole purpose of my question at this time is to show that our cotton people have interests on both sides. We supply raw cotton, and now we are to some extent a consumer of the textile goods. It puts us on both sides of the fence with respect to the Jananese.

Senator EASTLAND. That is right.

Mr. JACKSON. We certainly admit freely that the American cotton farmer has an important stake in the Japanese textile industry. And we think the objective of stimulating exports to Japan can be served without necessarily weakening the textile industry structure here.

Senator EASTLAND. It can't be served until we are competitors, can it, in price?

Mr. JACKSON. In the long run that certainly is going to be the controlling factor.

Senator EASTLAND. Of course. A good part of what they are getting is through gifts, isn't it?

Mr. JACKSON. A good deal of it, although they have earned a lot of dollars, as you know, Senator. And they have now become the world leader in textile exports.

Senator EASTLAND. Now, you spoke of raw cotton. I want to ask you this question—and I am getting ahead of you, because I have to leave in a minute—suppose the support price in the United States were reduced to 80 percent of parity, and there was a corresponding reduction in the American domestic price for cotton. What effect

would that have on rayon production, how many more bales of the cotton would be consumed in this country if that happened?

Mr. JACKSON. There just isn't any way to know, Senator, accurately. A lot of studies have been made to determine the influence of price on cotton consumption, but you run into the fact that price is an important factor in certain markets, a less important factor in others, and in still others it is a completely unimportant factor. But I think it would stand to reason that whatever reduction we see in the price of cotton, both in this country and abroad, is going to put it in just that much stronger competitive position.

Senator EASTLAND. What percent of the cases of cotton and rayon are competitive? In what instances of rayon consumption is rayon competitive with cotton?

Mr. JACKSON. I wouldn't know how to answer it.

Dr. Murchison, would you have any observation on that?

Dr. MURCHISON. Well, the rayon fabric production in the United States at the present time is 25 percent of the cotton production.

Senator EASTLAND. Is all that competitive with cotton production?

Dr. MURCHISON. The greater part of it is.

Mr. JACKSON. I misunderstood your question. Yes; a pretty substantial portion of the production is competitive.

Senator EASTLAND. Here is Mr. Jack Lynn of the American Farm Bureau Federation.

Mr. Lynn, have you any figures on a reduction in the support price of 80 percent, as to what effect that would have on the competitive position between cotton and rayon?

Mr. LYNN. No, sir. I don't have any figures with me. We will be prepared the day after tomorrow when we appear before this committee to give you the best information we have. I think Mr. Jackson and his staff and the National Cotton Council certainly have more of those figures available than we will have.

Senator EASTLAND. Yes. I thought I understood you to say that you had, that is the reason I asked you the question.

Mr. LYNN. No.

Mr. JACKSON. Senator, I shall be getting into a discussion of the rayon situation on the next page.

Senator HOLLAND. I would like to ask the witness a question at this time and leave it for him to deal with when he gets into this field.

Do you deal at all with the increasing consumption of cotton due to our large increase in population, and to the large increases in the populations of other friendly nations of the world?

Mr. JACKSON. Yes.

Senator HOLLAND. You are going to deal with that later?

Mr. JACKSON. Yes, sir. I have a chart that I plan to show you.

Senator SCHOEPPEL. Mr. Chairman, I would like to ask Mr. Jackson this. Do you deal with a question of, let us say, American financed industries in other countries, or American financed textile industries in other countries of the world? This, of course, would be a disturbing factor, as I gather from the testimony, and especially in view of the fact that there are those who have advocated a tax advantage of about 15 percent in those foreign investments and operations over the American industry.

Mr. JACKSON. No; we don't deal with it in this statement. Naturally we have been greatly concerned about it as an industry, just as we have been greatly concerned about what has happened to foreign cotton production. Certainly we know for a fact, that our Government has encouraged both. It is a disturbing factor. But we don't deal with it here.

Senator HOLLAND (now presiding). Proceed, Mr. Jackson.

Mr. JACKSON. Obviously, it would increase sharply the existing competitive disadvantage faced by the domestic industry.

The American manufacturer feels strongly that the raw cotton industry and the Congress should examine with greatest care all the factors involved in the application of any such policy, before adopting it—and we are speaking of a policy that would have American cotton going to foreign mills at lower prices than our mills' prices.

Senator HOLLAND. You are talking about a two-price system?

Mr. JACKSON. Or a subsidy.

Such an examination, we believe, will show that the losses may more than offset the gains. And these are the factors: (1) In 1947, as the world's leading cotton textile exporter, we sold abroad 1½ billion yards. It means we were exporting 1½ million bales of cotton in the form of goods. It was all American grown cotton. Now, Japan has replaced the United States as the world's leading textile exporter and we are in last place among the Big Four exporting countries. Our volume in 1954 was about 600 million yards, while Japan's was double that figure, a little more than double that figure.

Senator YOUNG. Which are the four big exporters?

Mr. JACKSON. Britain, India, Japan, and the United States.

Senator YOUNG. Thank you.

Senator SCHOEPPEL. Now, have you on the American side, or the domestic side, increased your own consumption by advertising or otherwise, or due to the increase in population here, to make up for that difference between 600 million and 1½ billion?

Mr. JACKSON. No, sir, we haven't. We feel we have gained through advertising and sales promotion a lot more of the market than we would have had otherwise. But the truth is the synthetic fibers have captured much more of the increase than has cotton.

Senator SCHOEPPEL. Therefore your mills have either had to reduce——

Mr. JACKSON. Or go to synthetics.

Senator SCHOEPPEL. Or go to synthetics?

Mr. JACKSON. Yes, sir.

Senator HOLLAND. Is the synthetic fiber, or any of the synthetic fibers, directly competitive with cotton, or are they more expensive so that they can't advance until the standard of living is increased in the foreign market?

Mr. JACKSON. No, sir. Cotton's primary competitor among the synthetics is rayon, and rayon is actually less expensive than cotton. I have some samples which I will show you in a few minutes to demonstrate exactly how competitive it really is.

(Discussion off the record.)

Mr. JACKSON. Formerly, cotton tire cord was the largest single outlet for cotton, consuming annually slightly in excess of 1 million bales. The rayon interests developed a competitive tire cord, and during a

period of the past 10 years, 10 to 12 years, rayon has captured a very substantial portion of the tire cord market. Insofar as passenger-car tires are concerned, I believe the experts say there is no quality situation involved; it is price competition. The cost of the cord to the automobile manufacturer is about the same. But he uses a little less rayon than he does cotton, so it makes his tie cost slightly less.

In more recent years nylon tire cord also has been developed, but it is more expensive and sells at a premium, I believe, in the tires.

Senator YOUNG. I think it may be a better tire.

Mr. JACKSON. They say it is.

Senator YOUNG. Aren't you overcoming some of the advantage in the use of rayon for tires by research in cotton?

Mr. JACKSON. A lot of work has been done, Senator. But actually it is just a straight price factor, and there is not much that can be done about it.

The extent of what can be done researchwise is pretty limited, because there is simply a straight competitive factor in that the rayon is cheaper than the cotton.

Senator HOLLAND. Cheaper because you use less of it?

Mr. JACKSON. Yes, sir. To begin with, the rayon fiber is less expensive in most instances—whether it is in the special tire cord fiber, I am not sure, but when it is made into tire cord and all the twisting processes are completed, I believe I am accurate in saying that the prices are about comparable now. In other words, cotton tire cord, if I recall correctly, is ranging from 70 to 75 cents a pound, and rayon tire cord is averaging about the same. But it takes a little less rayon, about 10 to 15 percent less.

Senator HOLLAND. In other words, the tire cord is a little stronger?

Mr. JACKSON. No, sir; I think it relates to the fineness of the cord. I was looking to see whether we might have an expert on the subject in the audience. I would be afraid to answer that, Senator.

Senator HOLLAND. What about the nylon, why does it command a premium price?

Mr. JACKSON. I am certain that that would be in its greater strength. Nylon is the strongest of the synthetic fibers.

Senator YOUNG. The set of tires I bought recently was about $10 apiece more. They claim they will not last longer.

(Discussion off the record.)

Senator HOLLAND. Proceed, Mr. Jackson.

Mr. JACKSON. This simply means we have lost a billion yards of export business, and the farmer has lost a certain million-bale market. Some of the million bales obviously has been offset by increased export sales, but certainly nothing like the total. Neither the mills nor the farmer can afford to lose the portion that is left, and our chances would be reduced directly by granting a foreign price advantage on cotton.

Two, with the exception of certain novelty items, every yard of foreign goods which enters the American market replaces a yard of American-made goods. The only exception to that is a very limited quantity of long-staple Egyptian-type cotton and a little Indian cotton, but they are minor quantities.

Senator HOLLAND. That is not competitive with the American cotton?

Mr. JACKSON. No; it is a specialized product.

When the goods are made here, the farmer knows his cotton is being consumed; when the foreign mill makes the goods, the chances are only 25 percent that it will be American cotton, since free-world consumption outside the United States is running at the rate of about 18 million bales, while we are exporting around 4½ million.

In the case of Japan, her cotton imports for the last full-crop years, 1953–54, amounted to 2,442,000 bales, of which we supplied only 946,-500 bales (or 38.7 percent), even though we offered her substantial inducements of various sorts.

It should be kept in mind that except for a small percentage of extra long staple the American mill uses only American cotton, first, because it wants to, and, second, because it has no other choice. You hear no complaint whatsoever among the domestic mills about quotas on raw-cotton imports. They are perfectly satisfied to use only American cotton, regardless of conditions elsewhere, but certainly they should suffer no penalty for doing so, either in the market here at home or foreign textile markets.

Three, the loss of our remaining textile export markets or an increase in imports of foreign-made goods, either one, most certainly would accentuate the economic difficulty in which our industry is now involved. Nothing can more surely have an adverse effect on cotton's future here in this country than for its primary customer to be in financial trouble. Apart from the very practical considerations involved, it becomes another one of those "intangibles" operating against cotton, in favor of its competition.

Four, whenever the American cotton manufacturer for any reason is placed at a competitive disadvantage, either here or abroad, it is only natural that he looks with renewed interest at rayon or other synthetics. From the viewpoint of the cotton farmer, the trend toward synthetics is devastating enough, and I am certain the cotton forces don't want to accentuate it.

In the past 10 years, for example, synthetic fiber production in the United States has expanded from the equivalent of 2 million bales of cotton annually to 3.4 million. At average yields of the last 5 years, this 3.4 million bales (equivalent) output of synthetics represents the output of 5.8 million acres of cotton land. Even the 1.4 million increase of the last decade represents the output of 2.4 million acres.

Synthetic fiber output in the rest of the world over the same period increased by 6.5 million bales (equivalent) or the output of 11.2 million acres of United States cotton land.

In 1954 the world output of synthetic fibers totaled the equivalent of 11.1 million bales of cotton—the output of 19.1 million United States cotton acres. Or, if you use world cotton figures, which would be more accurate, it would bring that up to something like 24 million. So this synthetic fiber has had an enormous increase.

Senator HOLLAND. In other words, the increase in synthetic fiber production outside the United States is even greater than that within?

Mr. JACKSON. There is a reason for it, Senator. Of course, synthetic fibers were developed outside the United States. Other countries have pioneered them. Also, some of the countries like Japan, for example, Italy, Western Germany, England, all the countries of Western Europe, have sought to stimulate synthetic fiber production so they wouldn't be dependent upon imports of cotton. None of those countries raise their own cotton, so they have encouraged synthetic

fiber production, particularly so long as we have had cotton prices that were somewhat above the level of the synthetic fiber prices.

In discussing some of the factors involved in any program having the objective of selling American cotton abroad at prices below the American market, we have dealt only with the potential impact on the market here at home. We should like also to point out that there are broad implications of hazard involved in any plan for overseas disposal under procedures which could be classified as dumping. The effect on the world price structure would certainly be disruptive, to say the least, and might well invite price-cutting wars. Moreover, our own American cotton economy would seem bound to suffer if in its efforts to increase exports by a relatively small proportion it should contribute to a violent shakeup of the world price structure. We cannot afford to forget that for years to come we shall be looking to this same world price structure to receive our own cotton exports.

If in the wisdom of the cotton farm leadership of this country, and the Congress, it should be determined that some sort of adjustment in raw cotton pricing policy is necessary in order to meet the varied forces of competition, it is our strong recommendation that you think in terms of a policy which will apply to the farmer's total market; in other words, the big market here at home, as well as the market abroad. Not only is the United States market the farmer's greatest and most dependable outlet, it is likewise the one where there is most to be lost—or gained.

Senator HOLLAND. Let me see if I understand that. You mean you don't want either a two-price system or anything that might bring about different prices abroad from here, but you want to deal with the cotton problem as an entity?

Mr. JACKSON. Yes, I think the total market is the thing that everybody is interested in. Many of the factors affecting our competitive system abroad are affecting it right here as well, as these rayon figures so clearly indicate. There is much potential gain for cotton, involved in maintenance of active interest on the part of the textile industry; on the other hand, there is much to be lost should the textile industry be weaned away from cotton.

Senator YOUNG. Do you believe that a two-price system for cotton would greatly lower the world price of cotton?

Mr. JACKSON. Well, of course, it would depend on what sort of a two-price system it might be, Senator. For example, if it was a two-price system that simply said we would subsidize exports to the extent of two cents a pound, I think it would just lower the world price 2 cents a pound. I think world prices would follow ours downward.

Senator YOUNG. In lowering the world price of cotton, for example, by 2 cents a pound, do you believe that it would appreciably increase the use of cotton over rayon?

Mr. JACKSON. It certainly would be an influence, yes.

Senator YOUNG. It wouldn't increase the use of cotton enough to make it worth while?

Mr. JACKSON. Well, I shall put it this way. From the standpoint of our industry, if the world price were decreased 2 cents a pound, 3 or 4 factors would be involved. One would be the question of effect on our textile exports. Another, what would happen to the volume goods coming into the country? And unless the same cotton price was

available to the domestic mills, what would it do to the competitive situation with respect to rayon?

Senator YOUNG. May I take this opportunity to say that yours is one of the best statements I have ever heard before this committee. You have tried to be constructive all the way through, and you haven't tried to attack other programs. You have approached it from a constructive point of view.

Mr. JACKSON. Thank you very much, sir. We appreciate that.

Senator HOLLAND. I certainly agree with that analysis of it. It is very apparent that the point he is making here now is valid, namely, that anything that would cut down the world price does at least three things: It affects the chance of our textile industry to claim a part of the world market in textiles, it affects the industry's ability here in the domestic market to attract more of the outside supply of textiles, and it encourages the synthetic production of textiles. And it doesn't seem to me like it is possible to get away from any of these three conclusions.

Mr. JACKSON. We honestly don't see how you can, Senator.

Senator HOLLAND. All right, proceed.

Senator YOUNG. Just one question, please.

You cannot greatly lower raw cotton prices in this country, either, and have prosperity among the cotton farmers?

Mr. JACKSON. No, sir. It certainly would have to be done very cautiously. Nothing could more surely upset the textile industry, which I represent here today, than to have an economic depression among the farmers. And our industry knows it, I think, as well as any group.

Senator YOUNG. You have been operating under a very delicate balance all the way around?

Mr. JACKSON. It is very delicate. That is the reason we feel extreme caution should be used in doing anything to the cotton price structure. Under our system and under that of the world, whenever anything is contemplated which artificially influences price—and, of course, many things are done to artificially influence it—but once such a decision is made it should be on the basis of the most careful consideration of all the factors involved, both in the domestic and foreign markets.

Senator SCHOEPPEL. Mr. Chairman, let me point out, as Senator Eastland has pointed out—I am speaking as a rank novice in the cotton business, I just know something about wheat—that if foreign countries with this price factor build up their production, and you let them throw 4 or 5 million more bales of cotton on the world market, produced with cheaper labor, and let rayons and the synthetics continue to grow—and there is no indication in this country that the scientific folks are going to slacken off on improving their goods and techniques—somebody is going to price this product out of the market, so that we are going to be confronted with this delicate question of price in the competitive field around the world.

Mr. JACKSON. Yes, sir; that is certainly true. All we are saying is that as we confront that situation—and it is very real, both here and in all the countries of the world—let's approach it very cautiously, very carefully, and try to be as sure of our ground as we possibly can.

In other words, let's do some price testing and see what happens.

Senator SCHOEPPEL. The thing that I am alarmed about in my field of activity in Kansas is the hundreds of thousands of farmers depend-

ent upon the products of the soil, and the surpluses confronting us. We are cutting these acreages, and we are cutting down income by reason of that. And you will be confronted after awhile with those people going out of business or being cut down so low that they are an economically unsound unit. You have certainly got that in cotton greater than we have at the moment in small grains.

Again, I say, delicate as the problem is, we are going to have to come to grips with it someplace down the line. If world production has been built up, largely by a large amount of American ingenuity and capital going into those places, in a struggle for the competitive markets of the world we should not sit around and get complacent about it, the way I see it.

Mr. JACKSON. We certainly agree with you 100 percent in that analysis. What we are trying to say, Senator, is that the factor is very real here, as well as in the other areas of the world, and it is something with which the entire cotton industry must eventually come to grips.

As far as cotton is concerned, we can see the competitive forces that are operating right here at home.

Senator HOLLAND. All, right, sir, proceed.

Mr. JACKSON. The next part of my statement was addressed more or less to the chairman, Senator, to Senator Eastland.

If you will pardon a personal observation, the chairman knows that I grew up in a small cotton farming community in Mississippi; that all my life and work has been associated with raw cotton, and that only in recent years have I been involved with the manufacturing of the product. Thus I believe it is accurate to say I have been able to view the consumption and outlook for cotton at the mills through the eyes of a cotton man rather than a textile man.

With that sort of background, it is my opinion that cotton has before it an opportunity unequaled in its history. With the population of the world increasing at a more rapid rate each day, with standards of living on the upswing in so many areas of the world, and with modern methods of transportation and communication opening up possibilities for improved standards even in the most backward areas of the world, it is only logical that consumption of textile fiber—one of man's prime essentials—is going to mount at a greater and greater pace.

Whereas not too many years ago the whole cotton industry was despondent, uncertain and without confidence in its future, today it has had breathed into it a new spirit, a new determination, a new recognition that it can seek out its problems and overcome them.

In other words, it has learned to locate its weaknesses, it has learned to locate its areas of strength, and it has learned that both the weaknesses and strengths can be dealt with in proper fashion. I might just comment there, Mr. Chairman, that I am referring essentially to the framework which the National Cotton Council has provided through the years, and which has made it possible for all segments of the cotton industry to come together, from the farmers to the mill, and attack their problems as a single unit. Before we had this framework there was a complete lack of coordination of effort, of thinking and of objective, all across the Cotton Belt from California to the Carolinas, and on to New England. But through the years, as that

framework has provided a vehicle through which these groups could study their problems, could get research done, push promotion, and study the markets, gradually the cotton industry has realized that it can do something about its own problems.

As I said earlier, I don't think there is any doubt whatsoever that during recent years the industry has done something about its problem, else we would have seen this domestic consumption a lot lower than it is.

Given the benefit of sound long-range planning, a determined effort to remain competitive on all fronts—quality, price, research, and promotion—the consumption of cotton, both here and abroad, can be built up to levels that will insure a stable and satisfactory cotton-producing economy, from the farms through the mills. We commend this committee for recognizing such possibilities and for its determination to move ahead in that direction.

Mr. Chairman, if I may suggest it; that is, if it is permissible for me to suggest it—may we go off the record for a few minutes while we show you some of the samples we have brought. It is hard to make sense of this sort of discussion on the record.

Senator HOLLAND. Off the record, with the consent of the members of the committee.

(Discussion off the record.)

Senator HOLLAND. Senator Eastland asked me to have the committee reconvene at 2, and he will be here at that time.

(Whereupon, at 12:30 p. m., the committee recessed, to reconvene at 2 p. m. of the same day.)

AFTERNOON SESSION

Senator EASTLAND. The committee will come to order.

Our next witness will be Mr. Clifford H. Hardy.

Mr. Hardy, will you identify yourself for the record, sir.

STATEMENT OF CLIFFORD H. HARDY, EXECUTIVE SECRETARY, NATIONAL COTTON GINNERS ASSOCIATION, BENNETTSVILLE, S. C.

Mr. HARDY. My name is Clifford H. Hardy. I am the executive secretary of the National Cotton Ginners Association.

I am from Bennettsville, S. C.

To begin my statement, I would like to quote from a resolution passed by the National Cotton Ginners Association at its annual meeting in Atlanta, Ga., on February 14, 1955.

> Whereas the world production of cotton has increased from an expanded cotton acreage and still continues to move into consumption channels while domestic United States stocks are accumulating; and
>
> Whereas the present program with increasingly reduced cotton acreages has resulted in decreased farm income in the Cotton Belt, and has further resulted in diversion of cotton acreages to the production of feed and grain crops which have to compete with the production of areas normally given to the production of such crops, thereby creating additional problems; and
>
> Whereas the present program entirely removes from the farmer his inherent right to the use of his own judgment in planning farm operations and adjusting them to the basis of economic laws of supply and demand: Therefore be it
>
> *Resolved by the National Cotton Ginners Association in convention assembled*, That this association work for the adoption in the United States of a program

providing for the retirement of a certain percentage of cropland to be placed in soil-building crops each year coupled with a system of price guaranties on the domestic consumption of cotton, or some variation of the two-price plan, and the right of the farmer to determine his total plantings in light of his own situation and world market conditions.

Cotton producers in the United States find themselves in the position of being required to make the supply adjustment for the entire world. The number of acres in cotton production was reduced by more than 25 percent in 1954 and during the same period foreign producers increased their acreage sufficient to add 1 million bales to their production. The United States cotton acreage has been reduced an additional 14 percent for 1955 and plans are underway for further expansion in foreign production. Latin America, the Middle East, West Africa, Pakistan, India, and Egypt are all planning increases in production goals.

We believe that the United States can continue to assist friendly foreign countries develop their economy without jeopardizing the position of American agriculture. We respectfully submit the following recommendations, at the same time pointing out the urgent need for immediate action:

1. It should become recognized policy for future legislative and administrative actions that cotton exports from the United States should be maintained at a minimum yearly average of 5 to 5½ million bales in any particular 2-year period and, as foreign consumption of cotton increases in the future, that the minimum level of United States export shall be raised proportionately.

2. Action under Public Law 480 should be expedited by:

(*a*) Elimination of the provision requiring shippers to replenish stocks from the Commodity Credit Corporation.

(*b*) Centralization of the administration of the program in the Department of Agriculture.

(*c*) Full cooperation by the FOA and other agencies.

(*d*) Elimination of the provision relating to the movement of exports of United States agricultural products as it relates to cargo space requirements in United States ships. Up to this point, the only successful arrangement under Public Law 480 has been with the Government of Yugoslavia. This bill was signed by the President on July 10, 1954, which should have given ample time to show some decided increase in exports of surplus American cotton.

3. The Federal Government should press immediate sale of low-grade stocks of cotton from the 1950–51 crop and subsequent crops. For several months the basis has been such that these stocks could have been sold on the world market at 105 percent of the support price plus reasonable carrying charges for the entire period from 1950 to date were charged against these sales it would reflect only slightly more than $4 per bale loss.

4. We believe that it will be advantageous to the American cotton producer for the CCC to sell a part of the present accumulated surplus at world market prices to ward off further expansion of cotton production in foreign countries. To further clarify our position we wish to endorse the following statement from the report of the Agricultural Trade Missions, dated June 23, 1954:

It is basically important to recognize that in order to sell our products in export markets, we must offer them for sale at competitive terms. We must also

realize what is required to meet both the present short-range situation and the long-range situation.

For the short range, it must be recognized that we have laws which establish price supports for some commodities at levels higher than the prices of competing commodities in export markets at the present time or are likely to be in the immediate future.

If we are to be competitive, pricewise, in export markets, under these conditions, it will be necessary to resort to some type of governmental export pricing program.

It is common practice for many governments to carry out similar types of program. Under such circumstances, it is unrealistic for us to expect to maintain a fair share of export markets unless we are prepared to compete.

We deplore having to use this type of device. Such programs are generally termed export subsidies and have become associated in the minds of people throughout the world as a dumping procedure. We wish to emphasize, however, that we do not favor using such export pricing programs as a dumping device to usurp normal markets of friendly countries.

Such devices should be used only as a last resort on a selective basis, commodity by commodity. They should be used only when necessary to maintain a fair relative position for United States exports of such commodity in foreign markets under present conditions and where there is a reasonable chance that such devices will be effective in accomplishing this objective.

5. We highly favor the discontinuing of the promotion of cotton production under the technical assistance program in view of the excess accumulation of the world supply of cotton and the fact that cotton producers in the United States cannot continue to make equivalent reductions in cotton production to balance the world supply with consumption. Technical assistance should be focused upon production of foods for underdeveloped foreign countries rather than cotton.

6. Our national policy should discourage the expansion of foreign cotton production now taking place due to the tendency of certain foreign countries to secure needed food crops under the United States foreign-aid program while diverting acreages normally devoted to food production to the production of cotton.

7. That the revised program of agricultural attachés, now under the supervision of the USDA, includes the active and aggressive promotion of United States produced raw cotton as a new material throughout the markets of the world.

8. That action be initiated to utilize the newly developed "line of credit" program of the Export-Import Bank to provide raw cotton from United States sources on a "floor plan" credit basis to cotton manufacturers in consuming countries at favorable interest rates covering the period of time usually involved in handling and processing shipside through finishing.

We do not feel that the 90 percent of parity is responsible for the growing surplus of cotton in Government warehouses. Back in the early thirties when supports were set at 52 percent of parity, stocks of cotton began accumulating, and in 1940 the surplus was between 12 and 13 million bales. The approximate expected surplus for August 1955 is only 8 million bales by comparison. There are many reasons for this present surplus. In 1950 the national allotments were set at 21 million acres and that year we produced less than 10 million

bales. In August of 1950 export quotas were set due to the Korean situation and following these quotas world cotton prices shot to 80 cents per pound and above. This price advance was an added stimulus for foreign production and many countries expanded their cotton acreage with the benefits of American technical assistance.

In 1951 American cottongrawers were urged to produce 16 million bales to insure adequate supplies during the crisis of the Korean "police action." Again, in 1952, they were urged to produce at least 16 million bales and at this time there was little basis for this demand as adequate stocks were available. Following this, in 1953, the American cottougrower was asked to voluntarily cut production. However, the total production for 1953 was in excess of 16 million bales. In 1954 the acreage allotments originally set would have ruined southeastern cotton producers, but the Congress alleviated this problem by granting a reasonable increase.

The drastic cut in cotton acreage for 1955 will further encourage foreign countries to expand their production. In Mexico today approximately 700,000 acres are being prepared for cotton production along the Gulf of Lower California. Expansion of cotton acreage is going on all over Mexico.

Southeastern American farmers are the most severely hurt by the limited allotment of 18,113,000 acres. For years, our land-grant colleges have preached the practice of diversification and the many farmers who have cooperated lost through reduced historical planting of cotton. As a result, their present small allotments make it economically impossible to properly feed, cloths, and educate their families and pay their property taxes. This area suffered low yields in 1954 due to the prolonged drought and the agricultural income will drop still more with the limited cotton allotments.

We urge that every effort be made by the Federal Government to increase exports of American cotton through more judicious use of Public Law 480, use of Export-Import Bank credits, and put an end to interference by the Department of State in handling cotton sales abroad. Requests from certain foreign countries for American cotton have been refused on the basis that it would upset the economy of friendly nations, who would ordinarly sell to the requesting nations, but this will not solve the problems of American farmers. Constant pampering of foreign nations will remove American cotton from the world market picture and we will find ourselves producing only for domestic consumption. We are geared for greater production, and with no foreign markets the American cotton farmer and the textile industry will be on the verge of bankruptcy.

Concern has been expressed about the possibility of materials made from cotton sold abroad under this plan coming back into the United States in competition with domestic goods. There has been no hesitation in the past in placing American cotton under export quotas and we feel that the Government should take necessary steps to protect our textile industry; from the threat of foreign goods produced with cheaper labor.

The National Cotton Ginners Association, representing more than 7,500 individual ginners of America who are the original processors of all cotton produced in the United States, heartily encourages the elimination of the phrase "to further American policy" from Public Law

480. This should put an end to the State Department's veto power on proposed foreign cotton sales. We believe that surpluses of commodities are the business of the Department of Agriculture and feel that this Department can be more successful in promoting our products for foreign markets than any other Government agency. An increase in Public Law 480 funds can facilitate the export program.

The American cotton industry is at a crucial point and your efforts to dispose of the present surpluses abroad will enable us to regain our place in the world market and make it economically feasible for us to continue producing the world's best fiber.

Senator EASTLAND. Thank you, Mr. Hardy. You have made a very fine statement.

Now, you state here that—

In Mexico today approximately 700,000 acres are being prepared for cotton production along the Gulf of Lower California.

Is that acreage that has not been in production as of now?

Mr. HARDY. It will be in production this year, I believe.

Senator EASTLAND. New acreage?

Mr. HARDY. Yes, sir. There is some indication, of course, that part of that is being financed by American capital.

Senator EASTLAND. By whom?

Mr. HARDY. I could not mention an individual firm name.

Senator EASTLAND. Why?

Mr. HARDY. I do not believe that I am in a position to do so.

Senator EASTLAND. Well, you made the statement.

Mr. HARDY. I said there has been some indication of that. I have no absolute proof, sir.

Senator EASTLAND. I have heard the same thing. That is the reason I asked.

You advocate a two-price system?

Mr. HARDY. Some variation of a two-price system.

Senator EASTLAND. Yes. With a quota system to protect the mills and the sale of part of the surplus stocks at whatever the commodity will bear?

Mr. HARDY. Yes, sir.

Senator EASTLAND. And an expansion of Public Law 480.

I think your amendments here, if adopted, would be very helpful to us.

And the idea is that we retain the 90 percent support price as basic to cotton prosperity, and that we have some form of subsidy to compete in the export market?

Mr. HARDY. Yes, sir.

Senator EASTLAND. With a quota on textiles that would come into this country.

Have you any ideas on what kind of two-price system we should have?

Mr. HARDY. No, sir, I am afraid not.

Speaking of disposing of our surplus cotton, at the present time there are some qualities of cotton that could be sold at the present world market prices at no loss to the Government.

Senator EASTLAND. Well, here is what is troubling me. If we would announce that we were going to sell, just put up and auction off,

100,000 bales of cotton a month at whatever the market would bear, would that break the world price of cotton?

Mr. HARDY. Is that for export, sir?

Senator EASTLAND. Yes.

Mr. HARDY. I do not believe it would be a complete breaking of the world price, but I think it would discourage additional production on the part of the other foreign countries if they realized that our Federal Government was going to make some effort in this line.

Senator EASTLAND. I think you have something there.

Would it tend to dry up for a while our normal export business? In other words, instead of a mill buying its requirements now and paying prevailing prices, would they hold off and want to bid on this 100,000 bales that we are going to auction off every month, hoping to get it at a lower price?

Mr. HARDY. I do not believe they could economically depend upon getting their entire production supply from the sales announced each month because they would not know whether another country was going to overbid them.

Senator EASTLAND. In other words, you do not think that would jeopardize our operations and force a shutdown?

Mr. HARDY. No, sir.

Senator EASTLAND. I agree with you.

Senator Schoeppel?

Senator SCHOEPPEL. I note that on page 2, under section 1, of the last paragraph, you say:

> It should become recognized policy for future legislative and administrative actions that cotton exports from the United States should be maintained at a minimum yearly average of 5 to 5½ million bales in any particular 2-year period * * *

Here is the significant thing to me. I am further quoting now—

> * * * and as foreign consumption of cotton increases in the future, that the minimum level of United States exports shall be raised proportionately.

Now, you are assuming there, of course, that the foreign production of cotton would probably level off or would not increase to any——

Senator EASTLAND. What I understood him to mean is this: that we stake out the proportion of the international export market that 5 to 5½ million bales now bears to 13 million bales. If that export business would increase to 15 million bales, then our percentage would be the same percentage of 15 million that 5 to 5½ is to 13 million.

Mr. HARDY. That is right.

Senator SCHOEPPEL. I see. I am glad that that is cleared up because it was confusing to me.

Now, over on page 2 you indicate that it is your view, your association's view, that the CCC should sell a part of the present accumulated surplus at the world market prices to ward off further expansion of cotton production in foreign countries.

Well, for a while I can see where that would probably be the result, but would we be accused of dumping there?

Mr. HARDY. In some areas we might be.

Senator SCHOEPPEL. I presume we would be accused of dumping, but would it in fact be dumping?

Mr. HARDY. I do not believe it would, sir. Actually, some of our cotton stocks on hand could be sold at the present market prices with-

out any considerable loss to our Government, so it would not be a case of dumping our surpluses.

Senator SCHOEPPEL. Now, you indicate that there are certain types of cotton in the warehouses now owned by CCC, certain grades, that could be moved.

Mr. HARDY. Just within the last 2 or 3 months.

Senator SCHOEPPEL. Yes. What particular type of cotton is that?

Mr. HARDY. Well, one in particular, Low Middling 1-inch cotton. The present price of that on the world market is 34.70 cents per pound, and at the time the cotton of that staple and quality went into the loan, the loan value on it was 28.88. With the accumulated storage charges from 1951, when a great amount of this staple cotton went into the loan, to the present time, it would amount to 6 cents a pound. So actually there would be a very minor loss to the Government in putting that particular grade of cotton on the world market today. However, if the Government saw fit not to place the charge against the entire 5 years of storage, in the previous paragraph we mentioned a reasonable carrying charge, which is from 6 months to a year. During that period the farmer still had an equity in the cotton and could redeem it from the Government loan. Supposing he was paying the storage for that period himself, unless he left it in the hands of the Government, if the entire storage charges were not charged for the 5-year period the Government can handle the cotton on the foreign market with a slight profit in writing off the storage charges.

Senator SCHOEPPEL. Do you have any indication as to about how many thousands of bales of cotton of that grade could be moved if they would resort to that?

Mr. HARDY. No, sir, I do not have any idea of the number of bales in that particular grade ratio. We have a gentleman here from the CCC who might have some idea of the number of bales.

Senator SCHOPPEL. I was just wondering whether that was a substantial quantity or whether it was, let us say, a minimum amount of that type of cotton.

Mr. HARDY. I would say it is not as much as 25 percent of stocks, I am sure, but it is a considerable amount that could be made available now without too great a loss.

Senator SCHOEPPEL. Well, it would seem to me that if it was around 25 percent of the stocks held by the CCC, that that would be a rather substantial amount that could have been moved or is susceptible to being moved.

Mr. HARDY. Yes, sir.

Senator EASTLAND. Senator Schoeppel, you know we have got an export program for wheat. We have got none for cotton.

Senator SCHOEPPEL. That is right.

Senator EASTLAND. The loan takes up the surplus, and we are just sitting here holding it and other countries are moving in, increasing their production, and taking over the market.

Senator SCHOEPPEL. That is right. There is the dangerous phase to this thing, to the cotton economy of this country.

Senator EASTLAND. Well, I have a letter here from a very prominent man in Mississippi about cotton allotments being so low that many veterans in the county in which he lives cannot make the mortgage payments on their lands and that they face foreclosure right now.

I judge that they are not hit as hard in that part of Mississippi as in the southeast, where this gentleman comes from.

Senator SCHOEPPEL. I want to say that I am very much interested in what we can move out under this export program or under and within the confines of a liberal interpretation of the measures that we put on the statute books of our country.

Now, do you know whether, through your association or through other groups, this has been drawn to the attention of the agricultural department or whatever departments in charge of it?

Mr. HARDY. I think this is the first time that it has really been brought out, and there will be other representative groups throughout the Cotton Belt who will appear on Thursday, bringing out the same points.

Senator SCHOEPPEL. I see. I think that is important. Here is an avenue for the movement of a substantial percentage of a type and grade of cotton that we certainly could do something about if an aggressive policy were pursued, with a minimum of loss, a relatively small loss, as you point out, to the CCC, and it would minimize our loss in the long run, if we had to eventually take a loss, because as it is, storage charges are continuing. If we could get this out with a minimum of loss, it might offset what we would have to pay for additional storage charges. And, of course, I understand that there is relatively little deterioration in cotton that is properly warehoused and in storage.

Mr. HARDY. This is actually not a condemnation of the CCC in bringing this out, because it has just become apparent on the cotton market. You know how it fluctuates. They have not had ample time to really do anything about it on this point, on this particular phase.

Senator SCHOEPPEL. I understand, and I am not approaching it in a manner critical of CCC, but here for the first time I have had drawn to my attention something with reference to a grade of cotton that there was a demand for, and I think that the Department ought to be alerted to it, and no doubt is.

Of course, if that demand does not continue over a very great length of time, there probably would not be a time element in there in which some kind of a deal or series of deals or transactions could be consumated.

I would be equally as zealous about say, grade 2 or grade 3 wheat, of which we probably have large quantities in storage, and which is subject to deterioration. If that situation came up, believe you me I would be saying, "Get on your horses and let's start moving," because we can cut down our surpluses in that respect.

Mr. HARDY. I believe we will find that there are a good many foreign countries who have been able to expand their cotton production due to the fact that they have taken out acres originally used for food production and put it into cotton production, by being able to obtain American grains under the loan program and foreign aid programs.

Senator SCHOEPPEL. Of course there is one thing we have to be careful of. This entire matter is so interrelated and is so sensitive that I do realize that our various governmental agencies that have to deal and that have to bargain must be careful to what extent they put pressure on foreign governments so as not to, let us say, be open to the

charge of meddling in the internal affairs of some other country. I know we have to watch those things.

Mr. HARDY. Yes.

Senator SCHOEPPEL. I believe those are all the questions I have.

Senator EASTLAND. Thank you, Mr. Hardy.

Mr. HARDY. Thank you, sir.

Senator EASTLAND. Mr. Long. Identify yourself for the record, sir.

STATEMENT OF W. J. LONG, JR., PRESIDENT, CAROLINAS GINNERS ASSOCIATION, GARYSBURG, N. C.

Mr. LONG. Thank you, sir. I am William J. Long, Jr. I am president of the Carolinas Ginners Association, from Garysburg, N. C. Our association is a part of the ginning group for the whole country which Mr. Hardy represents. I represent the States of Virginia and North and South Carolina.

Senator EASTLAND. How many gins are in Virginia?

Mr. LONG. In Virginia there are very few gins. I do not remember the exact number. Clif, can you give the exact number in Virginia?

Mr. HARDY. In Virginia there are 22.

Mr. LONG. There are possibly a few operators that are not operating.

As the representative of the 837 operating cotton gins in the 2 Carolinas and Virginia, I would like to give you a brief outline of our views on the disposal of surplus cotton.

We are basically opposed to Government controls of the disposition of our farmland, but we believe that it has been necessary and favor continued production controls at reasonable levels until the supplies of cotton and cottonseed are adjusted in line with demand. However, we believe that the American cotton farmer has made sufficient sacrifices to control the world supply of cotton. It is time for the Federal Government to aggressively seek foreign markets for cotton.

Senator EASTLAND. What you are saying is that our acreage control program, our acreage reduction program, has held an umbrella over and caused foreign expansion and that we have, because of the lack of an export program by the American Government, that we have vacated a tremendous amount of our markets abroad?

Mr. LONG. That is exactly correct. We think that because of the lack of a positive program, that we have in effect established the basic price for world cotton and in doing so we have sacrificed American production of this cotton, because the foreign countries have shaded their price to be just under our price.

Senator EASTLAND. There is a complaint from people who are interested in promoting Mexican and Brazilian cotton and the Mexican textile industry about us reducing our foreign price. Is it not true that all those countries use special incentives and special prices to get their cotton moved in the export business?

Mr. LONG. That is my opinion, sir. I am not particularly well qualified to speak on that.

Senator EASTLAND. And we have had groups in this country who have held the hands of this Government and prevented us from taking steps to meet it; is that not true?

Mr. LONG. That, in my opinion, is absolutely true. And what we are seeking is a method to alleviate this situation. We think that this program that we now have needs to be changed to bring about a different situation in the world market in cotton. That is what I meant by my statement: It is time for the Federal Government to aggressively seek foreign markets for cotton.

These are the recommendations that I would like to make.

I will state, before making them, that you will find some repetition here. However, my thinking and that of the previous speaker are very much in accord, and I wish to supplement what he has already said.

First, that a new post be created providing for an assistant to the Secretary of Agriculture to handle cotton sales.

Second, actions under Public Law 480 should be expedited by:

(*a*) Elimination of the provision requiring shippers to replenish stocks from the Commodity Credit Corporation.

(*b*) Centralization of the administration of the program in the Department of Agriculture.

(*c*) Full cooperation by the FOA and other agencies.

(*d*) Elimination of the provision relating to the movement of exports of United States agricultural products as it relates to cargo-space requirements in the United States.

Senator SCHOEPPEL. That has amounted, Mr. Chairman, to the agricultural program under Public Law 480 paying a subsidy to the merchant marine or to other shipping interests of this country. In other words, I have been of the opinion—right or wrong, some of the folks in America might not agree with me—that if we are going to have a subsidy, let us face the fact as a subsidy alone. I think it does tack on to the agricultural program an extremely large amount that the export program is carrying as a subsidy, and I think it is a disproportionate amount. I agree with you that if that could be eliminated we could move closer to a competitive position. Do you agree with me on that?

Mr. LONG. Yes, sir. That would be just one of many.

Senator SCHOEPPEL. Yes, I understand.

Mr. LONG. Third, that the Commodity Credit Corporation, since they have now eliminated reimbursement to cotton producers of profits made in the sale of Government-pool cotton, should, if necessary to obtain the level of exports up to 5 to 5½ million bales, enter into the sale of United States cotton through established channels—and I would like to underline the words "through established channels"—at prevailing world prices in keeping with the procedure previously established for the sale of other agricultural commodities. While the price of United States cotton is now competitive with foreign growths, the purpose of this section is to signify to other cotton-producing countries that the United States intends to maintain its fair share of world markets and that the burden of adjusting world supplies shall not be borne entirely by United States producers.

Fourth, we believe that it will be advantageous to the American cotton producer for the CCC to sell a part of the present accumulated surplus at world market prices to ward off further expansion of cotton production in foreign countries.

Fifth, we highly favor the discontinuing of the promotion of cotton production under the technical assistance program in view of the

excess accumulation of the world supply of cotton and the fact that cotton producers in the United States cannot continue to make equivalent reductions in cotton production to balance the world supply with consumption. Technical assistance should be focused upon production of foods for underdeveloped foreign countries rather than cotton.

Sixth, that action be initiated to utilize the newly developed line of credit program of the Export-Import Bank to provide raw-cotton manufacturers in consuming countries at favorable interest rates covering the period of time usually involved in handling and processing shipside through finishing.

Seventh, we feel that the Federal Government should take the necessary steps to prevent foreign textiles, manufactured with cheaper labor, from coming into this country in competition with American manufactured goods produced with high-cost labor.

Eighth, the American cotton industry is facing a critical period and we urgently request the Congress and the Department of Agriculture to make every effort to regain our fair share of the world market.

Senator EASTLAND. Do you have any questions, Senator Schoeppel?

Senator SCHOEPPEL. No questions.

Senator EASTLAND. We certainly thank you, sir. You have made a very good statement.

Mr. Hohenberg?

Mr. WHITE. Mr. Chairman, I am testifying for Mr. Hohenberg. I am Mr. John C. White.

STATEMENT OF JOHN C. WHITE, COUNSEL, AMERICAN COTTON SHIPPERS ASSOCIATION

Senator EASTLAND. Will you identify yourself for the record, sir?

Mr. WHITE. I am John C. White. I am counsel for the American Cotton Shippers Association, a position which I have occupied for some 25 years.

Senator EASTLAND. You have some very prominent clients, do you not, Mr. White?

Mr. WHITE. Yes, sir. This is one of my favorite ones.

Senator EASTLAND. Proceed, sir.

Mr. WHITE. The American Cotton Shippers Association appreciates the invitation to present its views regarding the cotton export situation to this committee. Since its members handle most of the cotton expored, they are vitally interested in the maintenance and improvement of foreign markets for United States cotton.

Concerning the long-term interests of the cotton industry, and the business of its members, the association has long-established and rather firm policies. They are reflected in the attached excerpts from the 1954 and 1953 reports of its national affairs and foreign affairs committees approved by the respective annual conventions.

I would like to ask, Mr. Chairman, that these excerpts be placed in the record.

Senator EASTLAND. I will not print them in the record, but we will attach them as an exhibit. I will print them in the record if you want it printed.

Mr. WHITE. I think it is up to the committee. I suggest that you decide.

Senator EASTLAND. All right.
(The excerpts referred to follow:)

ENCLOSURE NO. 1

EXCERPT FROM REPORT OF FOREIGN AFFAIRS COMMITTEE ADOPTED APRIL 30, 1954

COTTON EXPORTS

Be it resolved, That every effort be made to stimulate cotton exports through reducing the restrictions and improving the conditions of international trade so as to increase foreign consumption and foreign purchasing power. Efforts to restore the convertibility of currency as soon as possible should be especially encouraged. That the sale of cotton for local currencies, as a means of stimulating exports and disposing of surpluses should be recognized as a temporary expedient and the program should be designed to encourage and not retard true convertibility and should provide (1) that such trade should be in addition to sales that would otherwise be made, and (2) that the cotton moved is through private trade channels for maximum efficiency and greatest economy and the same safegnards shonld be placed on any other disposal programs.

We recommend that the president of the American Cotton Shippers Association appoint a subcommittee of the foreign affairs committee to follow proposals in Washington for foreign disposal of surplus cotton, whether through FOA, sales for foreign currency, or by giveaway; and to work with the proper authorities in Washington to assure that a sound, workable formula is adopted which will permit the private cotton trade to participate in fact in any export cotton disposal program.

ENCLOSURE NO. 2

EXCERPT FROM REPORT OF NATIONAL AFFAIRS COMMITTEE ADOPTED APRIL 30, 1954

INTERNATIONAL TRADE PROGRAM

On January 23, 1954, the Randall Commission on Foreign Economic Policy made its report and recommendations to the President and the Congress. Its primary recommendations for legislation are:

1. Extension of the Trade Agreements Act for 3 years, with authority under appropriate safeguards to reduce 1945 tariff rates 5 percent each year; to reduce to 50 percent ad valorem rates exceeding that figure; and to reduce by one-half the 1945 rates on commodities not being imported or being imported in negligible volume.

2. To amend the Buy-American Act to make it applicable only to nations discriminating against our exports.

In addition, it proposed to reduce taxation of foreign income and there were numerous other recommendations for administrative action, many of which have been adopted.

The findings and recommendations of the Commission are obviously middle-of-the-road in nature. Retention of peril-point and escape-clause provisions, and recommendation of strengthening and greater use of antidumping provisions, are designed to prevent abuse of any American industry. If anything, too much concern is shown for the industry affected by imports as compared to American industry dependent on exports. Yet the "no-traders" are vigorously fighting every proposal; and unfortunately, ranking Republicans of the Ways and Means Committee are allied with them, so that H. R. 8860, introduced by Representative Kean, of New Jersey, faces a difficult fight.

Your committee recommends the following resolution:

Resolved, That the American Cotton Shippers Association approves and endorses the foreign economic policy recommendations of the President, formulated with the aid of the Randall Commission, in the interests of maintaining a high level of international trade, and its fundamental recognition that any artificial barrier to the import of foreign goods is an equal barrier to American exports;

Resolved further, That this association specifically favors:

1. Prompt enactment of H. R. 8860 introduced by Representative Kean;

2. Further simplification of customs laws, rules, procedures, and classifications including enactment of H. R. 6584;
3. Legislation to limit the Buy-American requirement to foreign countries discriminating against our own industries;
4. Active efforts to promote convertibility of foreign currencies.

FARM PROGRAM

As cotton merchants, we are directly interested in a program that moves United States cotton into domestic and foreign consumption. As citizens, we are concerned that farmers receive satisfactory payment for their cotton production. The present farm program accomplishes neither purpose. The cotton is filling the warehouses at Government expense, and the farmer is confronted with reduced acreage. High production per acre, even at 90 percent supports will leave him less net income, and require further acreage reduction, and strict controls of diverted acreage. Yet terrible fears provide much continued farmer support for above-market price support, acreage reduction policy which means surrender of his essential markets.

For its hesitant step away from this program the present administration is receiving strong support from the American Farm Bureau. The administration proposes, with substantial cushions, to apply the adjustable price supports provided in the 1949 act, which requires 90 to 75 percent of parity supports in reverse proportion to the available supply. By providing a set-aside of 3 to 4 million bales and strict acreage controls 90 percent supports are assured for 1955 and 1956, and perhaps if acreage controls are effective in restricting production, indefinitely. Only if acreage controls are not effective will the supports decline. Opponents of the administration program evidently lack faith in the efficacy of acreage controls, and believe that there is no limit to the amount which the Federal Government will underwite.

They talk hopefully of surplus disposal plans, international cotton agreements, and stockpiling, none of which offer any strong possibilities.

Our views to a sound governmental program for cotton are contained in last year's resolution which we offer once again with the recommendation that it be adopted:

Resolved, That in the opinion of the American Cotton Shippers Association, any long-term cotton program must be based upon the following principles:

(1) The best program for cotton is one which will restore general international trade, and imports into the United States, and will permit cotton to move into domestic and foreign consumption at prices competitive to synthetics and foreign growths.

(2) Any governmental responsibility for cotton prices should be limited to protection against disastrous price drops, and its controls should operate only to protect such minimum-price levels.

(3) The Government can contribute much to research, application of existing scientific knowledge and soil improvement. Its function is to assist not to replace private initiative and private enterprise.

The farm program of the administration, allied with its foreign-trade proposals, is at least a step, if only a feeble and hesitant one, away from the existing above-market loan, marketing-quota program, but even as such, it should have our support.

FOREIGN CURRENCY SALES

One of the suggestions presented in answer to the current cotton surplus problem is the sale of cotton for foreign currencies rather than dollars. Obviously, American farmers are in no position to use such currencies, so that the suggestion really involves Government acceptance of them. Obviously, too, nothing is accomplished if there is an immediate obligation of the foreign country to redeem such currency. The suggestion really is, therefore, that this country accept foreign currency subject to restrictions as to its use.

The country gains nothing unless the amount exported for foreign currency is in addition to that which would be exported for dollars. Accordingly, restrictions must be placed around the use of the commodity to avoid displacement of usual trade. As the bills thus far introduced show, the major decisions are left to the executive departments. Insofar as cotton is concerned, no great possibilities can be presented. We can only hope that the wholly artificial relationships proposed will not interfere with sound trade and currency convertibility proposals otherwise pending. Certainly the bills introduced by Messrs. Harrison,

Poage, and Abernethy assure as definitely as language can the use of private channels of trade, and for that we owe thanks to them, to the American Farm Bureau, and to the National Cotton Council.

We believe that such proposals can accomplish very little.

ENCLOSURE NO. 3

EXCERPT FROM REPORT OF FOREIGN AFFAIRS COMMITTEE ADOPTED MAY 1, 1953

EXPORT SUBSIDY

A cotton export subsidy would hurt all cotton producing countries, by lowering the world value of all cottons; and would do more harm by disrupting the trade practices of the world than the relatively minor gain the United States might receive from exporting a few additional bales of cotton. Any measures which contract the volume of world trade, and our share in it, result in long-range harm to United States cotton producers.

Therefore, the American Cotton Shippers Association, in convention assembled on May 1, 1953, records its opposition to a cotton export subsidy, and instructs its officers to request the Secretary of Agriculture to make a categoric announcement that there will be no export subsidy during this season and the 1953–54 season.

ENCLOSURE NO. 4

EXCERPT FROM REPORT OF NATIONAL AFFAIRS COMMITTEE ADOPTED MAY 1, 1953

INTERNATIONAL TRADE PROGRAM

The Eisenhower administration is approaching the development of a program cautiously, inhibited by the protectionist tendencies of the Republican members of the House Ways and Means Committee, and yet seems to realize that the future of the free world is involved in American policy. The President has indicated that he will sponsor a commission composed of Members of Congress, and representatives of business and the executive departments, to formulate a consistent program and that in the meantime the Trade Agreements Act should be extended 1 year without hurtful amendments, such as the Simpson bill proposes.

This association and its members will fail in its duty to cotton producers and the country if they do not keep constantly before the public and their own congressional representatives the importance of promoting a high level of foreign trade—which means a high level of imports as well as exports.

Your committee recommends the following resolution:

Resolved, That the American Cotton Shippers Association approves and endorses the proposal of President Eisenhower for a commission to formulate a complete program to maintain a high level of international trade, and that this association should present to any such commission and keep constantly before the proper congressional committees its view that any artificial barrier to imports of foreign goods is an equal barrier to the export of American cotton and an uneconomic burden upon the cotton farmer and the entire cotton industry and all other export industry and can be justified only by overriding national security requirements; and

Resolved further, That this association favors:

(1) Extension of the Reciprocal Trade Agreements Act for 1 year without change;

(2) Simplification of customs laws, rules, procedures, and classifications;

(3) Elimination of arbitrary quotas and restrictions on imports of cheese, fats, and oils.

FARM PROGRAM

The soundest program for American cotton and the American cotton farmer is one that will move cotton into consumption, both domestic and foreign, without undue expense to the taxpayer, and without interference with efficient and economical production of cotton. This association has repeatedly objected to any Government program, controls, or measures that establish artificial prices for goods or services.

Competition of synthetic substitutes and foreign growths cannot be ignored. Strict acreage and marketing controls and an artificially determined above market loan program are an open invitation to this competition and interfere with economical production. Income payment plans, if applied to cotton, would let it move at the market price, but they contemplate the same strict controls to try to maintain a high market price and direct and unrestricted payments to the producer from tax funds of the difference between parity price and the market price. We do not believe it is a proper or possible function of the Government to underwrite the prosperity of any group.

In 1950, the Foreign Agricultural Trade Policy Advisory Committee of the Department of Agriculture emphatically condemned any program designed to maintain prices above market levels for any considerable time as nationalistic and restrictive because:

"(1) They lead to well-nigh irresistible demands that trade barriers be raised to keep products of other nations from sharing in the artificially high prices they provide;

"(2) They involve keeping American resources out of fullest use to curtail output in order to raise prices, and it is not logical to expect that imports which will defeat that objective will be acceptable;

"(3) They increase the difficulties of exporting because prices are above those from competing sources of supply;

"(4) They foster programs of export dumping which invite retaliation from other countries;

"(5) They require barriers to keep products sold abroad at lower prices from returning to our markets;

"(6) They encourage an expansion of state-trading because of the Government controls necessary in their effective operation;

"(7) They encourage similar nationalistic programs for the expansion of uneconomic production in other countries to replace our products which in turn will lead to further demands for restrictive action."

Both the existing above-market loan, marketing-quota program and high price guaranty-marketing control plans are thus condemned insofar as a crop dependent upon international trade is concerned.

We recommend adoption of the following resolution:

Resolved, That in the opinion of the American Cotton Shippers Association, any long term cotton program must be based upon the following principles:

(1) The best program for cotton is one which will restore general international trade, and imports into the United States, and will permit cotton to move into both domestic and foreign consumption at prices competitive to synthetics and foreign growths.

(2) Any governmental responsibility for cotton prices should be limited to protection against disastrous price drops, and its controls should operate only to protect such minimum price levels.

(3) The Government can contribute much in research, application of existing scientific knowledge and soil improvement. Its function is to assist, not to replace private initiative and private enterprise.

BARTER PROPOSALS

S. 1369, a proposal to specifically authorize the Commodity Credit Corporation to barter United States surplus farm commodities for noncompetitive or insufficient commodity or strategic or critical materials, has been introduced by Senator Mundt and others. Experience has shown that barter business is costly and impractical. Adequate dollars are available to pay for any of the foreign goods desired commercially in this country, and direct barter is possible only if substantial concessions are made in the price of our cotton or other commodity offered in exchange. The result of such transactions is replacement of commercial transactions with subsidized barter transactions, with no real increase in our exports and in a manner highly destructive to private commercial channels.

We recommend the following resolution:

Resolved, That the American Cotton Shippers Association record its most positive opposition to state-trading which government sponsored barter actually is: and emphasize that it defeats both multilateral international trade and undermines private taxpaying business when goods are exchanged for goods and the system of competitive buying and selling is circumvented.

Mr. WHITE. In summary, those views are:

First, that maintenance of a high general level of international trade and removal of barriers to it, including increasing imports into the United States, is the most fundamental necessity for maintaining cotton exports and a prosperous cotton industry.

Senator EASTLAND. I am going to agree with you entirely right there.

Mr. WHITE. Thank you, sir.

Second, that any sound farm program must contemplate permitting cotton to move into both domestic and foreign markets at prices competitive to synthetics and foreign growths as determined in the market place; and that this principle should be departed from only to protect producers against extreme price drops. Whatever payments are necessary, in the view of Congress, to do economic justice to the cotton farmer should in our judgment be made in a form which will not artificially peg the price of cotton, and which will not violate the terms of sound international trade policy.

Senator EASTLAND. Let me ask you a question, if you don't mind, sir.

Of course we have got a 90 percent price support program. It is the law. When other countries adopt programs to subsidize their cotton sales in export channels and undermine us, is it not just fair that we meet those?

Mr. WHITE. If we could not persuade them to abandon any such programs, yes.

But let me say that I think your previous witness was mistaken when he agreed that there were such subsidies at present. For instance, in the case of Mexico, which is a developing competitor which requires our serious attention, instead of an export subsidy there is actually an export tax, the reverse of a subsidy.

Senator EASTLAND. In Mexico?

Mr. WHITE. And in India there is the same situation.

Senator EASTLAND. What about Brazil?

Mr. WHITE. Brazil is hard to pin down.

Senator EASTLAND. Well, you know that the new exchange rate will be very favorable and will accelerate the export of coffee and cotton.

Mr. WHITE. That is true with the export of coffee, but I am informed that it has as yet the opposite effect so far as cotton is concerned. In other words, there is still a burden this year on the export of cotton.

Senator EASTLAND. Now, you know that they subsidize the export of cotton, moved off two crops with the subsidy, and that act caused our exports to decline from 5 million bales to 3,100,000 bales in 1 year, don't you?

Mr. WHITE. I know, of course, that they in effect dumped their 2 seasons' crops on to the market in 1 season.

Senator EASTLAND. Yes. And at that time the big cotton shippers who were in business up to their necks in Brazil and in the textile industry of that country were raising "Sam" that we should not meet that competition down there, that we should not subsidize our exports, is that not correct?

Mr. WHITE. Well, we still do not think we have anything to gain by subsidizing our exports.

Senator EASTLAND. Nothing but to prevent the drastic acreage reduction we had in 1954. Were not acreage quotas in 1954 due directly to Brazil's export subsidy?

Mr. WHITE. If we could have persuaded the Brazilians to hold their stocks longer, I think that, of course, we would have moved somewhat more cotton, but they were financially unable to hold their stocks longer and they were going on the market regardless——

Senator EASTLAND. I asked you a question. I asked you if her subsidy that enabled her to dump this cotton was not responsible for the drastic acreage reduction in the United States in 1954.

Mr. WHITE. Senator, I have no information that they actually subsidized the exportation. They sold it for whatever they could get.

Senator EASTLAND. Correct. That is what a subsidy is, is it not?

Mr. WHITE. Well, I would not say——

Senator EASTLAND. The National Bank of Brazil lost a lot of money in financing those cotton operations, and the United States Government trotted dollar credits down there to bail that bank out.

Mr. WHITE. I know the bank, if it had been compelled to settle the Government's indebtedness to it on the basis of existing exchange rates, would have suffered a big loss.

Senator EASTLAND. That is right.

Mr. WHITE. They manipulated their cruzeiro rate in a way to eliminate the loss of the Bank of Brazil.

Senator EASTLAND. Well, I say that was a subsidy, was it not? They lost money on those cotton stocks, did they not?

Mr. WHITE. Certainly, if you take the exchange rates at which they took the cotton into their Government stocks as against those when they eliminated the Government stocks, they had a tremendous loss.

Senator EASTLAND. Well, of course they did. That is a subsidy, is it not?

Mr. WHITE. If we were to define it as a subsidy if we threw up our holdings and sold our cotton, that would be a subsidy.

Senator EASTLAND. All right. That is right. Now, if the Secretary of Agriculture will put up a bunch of this surplus that we have got and sell it for whatever the traffic will bear, will that or will that not be a subsidy?

Mr. WHITE. Technically we would not call it a subsidy, but we would call it a two-price scheme, and we would object to it as——

Senator EASTLAND. And that is what Brazil did. And by virtue of her using that, it costs us exports to the tune of 1,300,000 bales of cotton.

Mr. WHITE. Certainly she caused us some loss, temporarily.

Senator EASTLAND. Yes. And that caused the drastic acreage reduction we had in 1954.

Mr. WHITE. It certainly contributed to the calculations.

Senator EASTLAND. You may proceed, sir.

Mr. WHITE. It follows that in our view the prompt enactment of H. R. 1 and other items of the foreign-trade program presented by the Randall Commission and embodied in the President's recent message is essential to maintain a profitable foreign market for United States cotton. Other committees have jurisdiction of these measures, but we mention them here because we think no short-term measure de-

signed to increase exports should be considered which conflicts with our basic long-term foreign trade program.

Senator EASTLAND. Well, that is right. That is the long-range program that over a period of years will be very beneficial. The thing that concerns us is what we are going to eat until that takes effect, how we are going to stay in business.

Mr. WHITE. We have a burdensome cotton surplus because we have followed a policy which it was hoped would make cotton-growing profitable on marginal land where costs of production are high. This, of course, stimulated the growing of cotton on lands where costs of production are lower, both at home and abroad, and the expansion of rayon production.

We are seeking now to reduce the surplus by an enforced reduction of cotton acreage by all domestic growers in uniform proportion. To the extent that it is humanly possible to foresee developments, the opinion appears warranted that a continuation of this acreage policy through the 1956 crop will reduce the carryover in the United States to the dimensions of a comfortable working stock by the summer of 1957.

Experience has taught us the effects of this policy. In the years of enforced drastic acreage curtailment, the cotton acreages of the individual farms are so reduced in proportion to the investments involved and to the months to be fed that the net returns are grievously diminished and generally the operations become unprofitable, notwithstanding the artificially sustained price. This is the general case, both for high-cost and low-cost producers.

Senator EASTLAND. Now, you speak of the marginal acreages. That is confined largely to the Southeast, is it not?

Mr. WHITE. I should say, of course, there are substantial acreages which must be regarded or would be regarded as marginal in the Southeast, but they are also in other States. There are areas in the Eastern States which are in a very good situation.

Senator EASTLAND. Is not the best way to keep these marginal areas in the cotton business to have markets large enough for volume production in this country?

Mr. WHITE. Of course it is.

The way to generally profitable American cotton production is to release human ingenuity to a free search for and use of the lands and methods that will produce cotton most efficiently and at lowest cost and to set our goals to achieve a substantially higher per acre national yield. If this is done, some of the present cotton land will go to other uses and the people on it will shift eventually to more remunerative operations. Production costs will decline and the producers will be able profitably to sell to American and foreign consumers at lower prices than would be possible under the present policies. Our cotton producers, through the lower costs, will be in a much better competitive position in relation to foreign cotton producers and the synthetics industry. Removal of the artificial component of our prices will tend to establish world prices containing no artificial inflation to promote unsound expansion of cotton and synthetics production anywhere.

Senator SCHOEPPEL. Mr. Chairman, I would like to ask this question.

You represent a very important segment of your cotton industry. How are you going to reduce these production prices on the small units of operation?

About the only place you can reduce the prices, relating it to my own thinking in the wheat industry, is larger acreages, mechanized farming. But everyone cannot do that. And I presume it is related somewhat to the cotton industry, although that is a more detailed and more intricate business as such. Yet, the cost factor in a lot of these very small units make it unprofitable to mechanize them to the high degree or semihigh degree that they mechanized in the larger operations.

Am I wrong in that view or not?

Mr. WHITE. I think there is no question but what there are advantages to the larger scale production in cotton, as there are in wheat, but nothing comparable. Now, this is second hand for me, you understand. I make no pretense of being able to estimate the costs of producing cotton on small scale as compared to a larger farm, but certainly the tendency has been that way. On the other hand, I have heard from people who should know who say that on a family-sized farm you can produce cotton under proper conditions as cheaply and as effectively as on larger operations. There are offsetting costs in the larger operations. I would even say that in all probability Senator Eastland can tell you more about that than I can.

Senator EASTLAND. Proceed, sir.

Mr. WHITE. Some nurse the illusion that there is a practical alternative: To isolate our market and prices from the rest of the world, maintaining an artificial cotton price in the United States and dumping our surplus abroad. They recognize that this cannot be done without compulsory restrictions on land use, to prevent the artificial price from stimulating expansion of production in this country.

This is an illusion, because it will be impossible for us to maintain such a policy for the long term. In the first place, free men will not submit indefinitely to the compulsion involved, which involves confiscation of part of the value of their lands and labor. In the second place, the adoption of a fabric of artificial prices, dumping, and import restrictions as a general and permanent agricultural policy would be a retreat into isolationist nationalism, which would frustrate the general economic recovery of the world and be regarded as hostile economic warfare by nations whose friendship is indispensable to our military security and economic well-being as well as theirs. It would mean a complete frustration of the efforts of the Government and Congress, exemplified by H. R. 1, to establish the permanence and reliability of the trend of our general policy toward liberal and expanding international trade and economic relations.

Senator EASTLAND. Let me ask you this question. Of course, what you are talking about, Mr. White, is very sound economics. We have got a surplus at the end of this year, now, that will run about 10 million bales, have we not?

Mr. WHITE. Yes, sir.

Senator EASTLAND. A little over 10 million.

Mr. WHITE. Well, a little over or a little under, depending on what happens in the next few months.

Senator EASTLAND. How are we going to get rid of that surplus?

Mr. WHITE. I am happy to say, sir, that that is covered in the next paragraph.

Senator EASTLAND. All right, sir.

Mr. WHITE. The repercussions upon the world economy would be disastrous. Those whose interests are primarily cotton, would do well

to consider the effect it would have upon the ability to buy our cotton of foreign peoples—and even of our own people—and upon further expansion of synthetics. Those who have special concern for our great cotton textile industry would see in it the destruction of the export market for their products, which now approximates the equivalent of one-half million bales——

Senator EASTLAND. Is that true, now, when you subsidize the export of the textiles as we have done? Is that statement accurate?

Mr. WHITE. We think so, sir, because I believe that the nations of the world are now far less inclined to accept a subsidized, manufactured article than they are to accept a subsidized raw material, and we would expect that if we should try to subsidize textiles, that they would immediately impose countervailing duties, such as we would impose in this country. We think, therefore, you would find it impossible to protect our textile exports.

Senator EASTLAND. Yes, but the fact remains that while we had an export subsidy on cotton, we moved a tremendous amount of cotton and the mills had the greatest era of prosperity that they ever had. They made more money then than they have ever made in their history, is that correct?

Mr. WHITE. What period are you referring to, Senator?

Senator EASTLAND. Well, Mr. White, you remember when we had an export subsidy on cotton. The last one was in the late forties.

Mr. WHITE. Of course, so far as the exports of textiles by our mills are concerned, they were the beneficiaries of a destroyed textile industry over most of the world.

Senator EASTLAND. That is true.

Mr. WHITE. So that billion and a half yards that they spoke of where they started their comparison, was actually the result of that. Prewar, I suppose they never reached 200 million yards, so they are still far ahead of prewar.

In our earliest periods of our export subsidies we had, therefore, no very large textile exports. In this later period, there was not the resentment or the attitude toward receipt of textiles from this country, even to the subsidization of what was not wanted at this time. The textiles are too badly needed in all those countries.

Senator EASTLAND. You may proceed, sir.

Mr. WHITE. We think it would lead to endless wrangling over the need for higher tariffs. We are convinced that it is an illusion to believe that the United States will embark on a course so contrary to the requirements of evolution, progress, and national security.

In spite of factors justifying concern of every cotton interest, it is not yet plain that any drastic measures will be needed, other than an attenuated continuation through 1956 of the painful acreage curtailment, to reduce the United States cotton carryover by the summer of 1957 to a comfortable working stock.

Senator EASTLAND. Well, what we are talking about now is just doing nothing; sit here and do nothing and sweat the whole thing out of the farmer and bring him to bankruptcy; just let the farmer shoulder the entire burden of the thing.

Mr. WHITE. No, sir, we certainly would not advocate that.

Senator EASTLAND. Well, that is what it means, does it not?

Mr. WHITE. I think not. I hope we can make it plain.

Among the reasons for believing this will occur are the facts: (1) that foreign stocks of cotton will have been reduced by the end of this season to about 9½ million bales, which we regard as the approximate irreducible working stock for a 27 million bale foreign consumption; (2) that foreign consumption for 2 years has exceeded foreign production by approximately 5 million bales annually; (3) that foreign population is increasing at the rate of more than 1 percent annually; and (4) that prospects are improved by widening convertibility of currencies and liberalization of trade, and a consequent improvement in world per capita buying power.

Developments which would bring the present 10 million bale supply to the 5 million bale figure may be summarized as follows:

For season 1955–56 a carry-in of about 10 million bales and a crop of about 11 million bales would make the supply 21 million bales, with a distribution of 9 million domestic consumption and 5 million net exports. This would leave a 1956 carry-in of 7 million bales. If the 1956 acreage restrictions were relaxed enough to produce a crop of 12½ million bales, the supply for 1956–57 then would be 19½ million. If distribution were 14½ million bales, increasing slightly by reason of population growth and the benefits of a wider convertibility of currencies, the end-season stock would be 5 million bales.

It is the view of the association, approved by the directors at Memphis on Sunday——

Senator EASTLAND. Who are the directors?

Mr. WHITE. There are some 15, Senator.

Senator EASTLAND. You have not got them all?

Mr. WHITE. No, I have not, but I will furnish a list.

Senator EASTLAND. How many of them are international shippers?

Mr. WHITE. Well, do you mean by that how many of them handle cotton from foreign fields also?

Senator EASTLAND. Yes.

Mr. WHITE. I will have to look at it to know, but a number of them do and a number do not. However, I would point out that this action was unanimous and the view of both those with international interest and those with none.

Senator EASTLAND. What I want to know is this. It is fundamental that we have got to dry up some of this foreign production. Brazilian expansion, Mexican expansion has grown up under our support program while we held an umbrella over them.

Now, if we get our rightful place we have got to recapture markets at the expense of those countries. Do you advocate anything in here that would do that?

Mr. WHITE. Well, of course, Senator, our basic program would do that, which we set out at the beginning.

Senator EASTLAND. You mean on the reciprocal-trade program?

Mr. WHITE. That and our contention that we have to meet foreign prices. We may not have to meet them today, but we have got to meet them over a period.

Senator EASTLAND. I agree.

Now, what do you estimate the further expansion in foreign acreage will be in the next 2 or 3 years?

Mr. WHITE. I believe that they expect some expansion. The completion of certain irrigation projects in Mexico will mean a little more

there, and in certain other Latin American countries there will be some expansion. The real question, to our mind, is whether the consumption abroad will expand faster than the increasing production.

Senator EASTLAND. Well, that puts this country in a fix, does it not?

Mr. WHITE. If the consumption does not increase faster than production, then I think we will have to conclude this country is in a difficult position with respect to its cotton exports.

It is the view of the association, approved by the directors at Memphis on Sunday, that there are several steps which can be taken to improve the prospects for increased domestic and foreign consumption of United States cotton.

1. With respect to Public Law 480, they urge prompt enactment of S. 752, introduced by Senators Eastland and Schoeppel, to remove the requirement that cotton sold from private stocks be replaced from CCC stocks.

We welcome the fact that this has been reported by the subcommittee and we understand it will have the approval of the full committee shortly.

2. Because so large a portion of the supply will be in CCC hands, we recommend that the CCC stocks be offered for sale for both export and domestic consumption as follows:

(*a*) For the remainder of this season at the price basis stated in the Public Law 480 release program, i. e., the higher of market or 105 percent of support price plus reasonable carrying charges. This program should be settled and announced as promptly as possible or foreign buyers will continue to shrink their stock and owners of foreign cotton to press its early sale.

Senator EASTLAND. You mean the market price, if it hits above 105 percent?

Mr. WHITE. Yes, sir. That is the basis upon which the cotton is now being offered under the Public Law 480 program.

Senator EASTLAND. Well, I know, but take Italy for instance. How much above the market would an Italian spinner have to pay for American cotton at 105 percent of parity?

Mr. WHITE. That gets into the question which Mr. Hardy mentioned.

I think that the trade committees have worked with the Department of Agriculture so they know something about what they had in mind.

When the merchants first looked at the program they said, "Well, it is silly to expect that we can sell cotton under this program at more than the market price in this country."

As yet, the only program in operation has been that to Yugoslavia. I think there was 50,000 bales authorized there, and that has been sold at a very low price to the Yugoslavs because the merchants selling would thus acquire the right to buy cotton from the CCC, and there are these scarce qualities, some 225,000 bales, in CCC stocks which are in great demand by domestic and by foreign mills.

Senator EASTLAND. Now, you say merchants working with the Department. What do you mean by that?

Mr. WHITE. I mean an advisory committee which had offered their services and advice in every way they could to make that program work.

Senator EASTLAND. Who was that? Was that the Standing Export Advisory Committee?

Mr. WHITE. No, sir; it is really a special committee of this association.

Senator EASTLAND. Who are they?

Mr. WHITE. The chairman is Mr. Gerald Creekmore of New Orleans; then Mr. Harris Kempner of Galveston, Mr. Sid West of Memphis, Mr. Eric Catmur of Houston.

Senator EASTLAND. Proceed.

Mr. WHITE. But because of this situation and of the fact that this cotton in the CCC stocks was needed by our domestic mills and the merchant who is authorized to export from his private stock and then buy this cotton and sell it domestically, it has worked; and it will work up to this approximately 225,000 bales, which will cover the pending Japanese contract or agreement for financing under Public Law 480.

Senator EASTLAND. Well, I understand that the Japanese trade had fallen through.

Mr. WHITE. Well, at least it has not been completed.

For the cotton season beginning August 1, 1955, at the higher of market or 105 percent of the current support price plus a level 60-point carrying charge, until January 1, 1956, to be increased monthly thereafter by 15 points. That the 1953 cotton be cataloged promptly upon acquisition so that needed qualities will be available under the same terms.

Senator, that suggestion for the next season is for a somewhat lower price than that which is now in effect in that we propose a level 60-point carrying charge to cover the first 5 months of the season.

Senator EASTLAND. The 1953 cotton will go into loan. I mean they will take over the 1953 cotton in July or August, which is it?

Mr. WHITE. It will be as of the end of July.

Senator EASTLAND. Then it will be sold at 105 percent of parity?

Mr. WHITE. Of the current support price.

Senator EASTLAND. 105 percent?

Mr. WHITE. Yes, sir.

Senator EASTLAND. That means it is not going to be sold. You are advocating not selling it, are you not?

Mr. WHITE. No, sir. We think substantial quantities of it would have to be sold because we believe there would be a demand for it.

Senator EASTLAND. A demand above the market?

Mr. WHITE. For numerous qualities in the loan, that the market will be forced above this price for certain qualities.

Senator EASTLAND. What we are doing now is we are still holding an umbrella over this acreage expansion abroad, are we not?

Mr. WHITE. With the 90 percent loan program in effect we are, sir.

Senator EASTLAND. But you are advocating 105.

Senator HOLLAND. 95; 105 of 90.

Senator EASTLAND. Plus carrying charges.

Now, is this what happened: we have had a 90 percent support price. Because we have had that fixed price people have been secure in financing on the expansion of acreage abroad. Now, frankly, when a man from this country can go in business in Brazil, I certainly do not condemn him. He has a right to do that. There is nothing wrong with it. But, yet, that system, that support price, has held an umbrella and has enabled people that wanted to finance cotton production in Mexico and Brazil to do it, has it not?

Mr. WHITE. It unquestionably has made it safer for production developed in these countries.

Senator EASTLAND. That is right. In fact, we would not have as great an expansion there as we have if it had not been for that program, is that right?

Mr. WHITE. I don't think, sir, there is any question about that.

Senator EASTLAND. Now, instead of 90 percent you are advocating 105 percent of 90. In other words, for the 5 million bales that is coming in July, you are advocating the umbrella coming in high on this 5 million bales of 1953 loan cotton, is that the effect of it?

Mr. WHITE. It does not mean holding it higher, sir, than we are now holding it. It means reducing it somewhat.

Senator EASTLAND. Well, it does not mean that we are going to go down and compete and make it unsafe for a man to finance cotton production in Brazil and Mexico, does it? It is holding it above the level, is it not?

Mr. WHITE. Oh, yes.

Senator EASTLAND. Well, that is what you are advocating.

Mr. WHITE. No, sir, I do not think so.

Senator EASTLAND. Now, Mr. Hohenberg is a very fine man. He is president of the association, is he not?

Mr. WHITE. Yes, sir.

Senator EASTLAND. Buys cotton in Mexico, does he not?

Mr. WHITE. Yes, sir.

Senator EASTLAND. He owns railroad cars down there, does he not?

Mr. WHITE. Well, I have no doubt that they may own a few. There was a period, you know, when the only way you could move any commodity was to buy a second-hand freight car from the Santa Fe and move it into Mexico.

Senator EASTLAND. Now, let me ask you this question.

Let us take Anderson Clayton, Cook & Co., Hohenberg, and those people, they make a lot more money on a bale of cotton that they buy in Brazil or Mexico than one they handle in this country, do they not?

Mr. WHITE. No, sir; not necessarily. It varies from season to season.

Senator EASTLAND. Well, as a rule they do.

Mr. WHITE. I do not think you can say so, sir. I think you have to take your year and your firm and you might be able to figure it one way one year and then the next year it is just the opposite. It is really amazing how it can reverse itself.

Senator EASTLAND. We have a support price in this country, and it would be amazing if they don't make more money down there than they make here.

Mr. WHITE. I am very sure——

Senator EASTLAND. But the thing that amazes me is a proposal from the American Cotton Shippers to hold that umbrella still higher and to give a free ride to finance the expansion in Mexico and Brazil. I just cannot understand how people that are in business in the United States and want to move American cotton would want to adopt such a policy.

Mr. WHITE. Of course, sir, that difference between the support price and the level at which we suggest that cotton be sold from the Government stocks is designed to let the farmer move his current crop, and the only way that the current crop can move is to have some differences between the two.

Senator EASTLAND. It is to the farmer's interest to get rid of this surplus so he can get an increased acreage and it is to his interest to get sound markets for his cotton, is it not?

Mr. WHITE. Yes, sir; that is just exactly our position.

Senator EASTLAND. But you are advocating a system here where we would be noncompetitive. You agree with us on the broad objectives and then when it comes to recommendations, here is a specific recommendation that makes us noncompetitive, unless I am badly mistaken.

Mr. WHITE. Of course this business of competitive and noncompetitive is very difficult, too, because whatever we do, we are setting the world price of cotton. Now, we can plainly knock the world price of cotton down two cents if we wanted to. We can knock it down four, or any other amount.

Senator EASTLAND. Or we can hold an umbrella over it and give the foreign producer a free ride.

Mr. WHITE. Yes, sir. As long as we are maintaining a fixed price we are holding an umbrella for somebody. So the question becomes what is in the best interests of the cotton industry as a whole, and the question I asked the directors at this meeting on Sunday was: how much more cotton would we export if you cut the price 10 percent this next season?

Some of them thought there would be an increase, but not very much; that it would be limited by the same number of dollars; that the amount we realized for the cotton we exported would be the same number of dollars. So that so far as this next season is concerned, we see little to be gained by any subsidization of exports or a material reduction of our domestic price level.

Senator EASTLAND. Would anything be gained if we would reduce the support price, say, 50 percent of parity?

Mr. WHITE. Not for this next season; you have commitments and of course it is inconceivable you could violate them.

Senator EASTLAND. Well, we are not going to do it. Of course we are not.

Mr. WHITE. It would not only be destructive——

Senator EASTLAND. What you are saying, then, is a reduction in the cotton prices is not going to stimulate consumption for next season?

Mr. WHITE. Of American cotton, of United States cotton.

Senator EASTLAND. Now is it wrong to say that sales will respond to price?

Mr. WHITE. Sales will certainly respond to some extent to price in this country and abroad, but so far as the effect on foreign competition is concerned, we know their plans are made. There is only one country which could modify its plans, and it is questionable whether it could, and that would be India. They are going ahead with their production of about the same amount this season, regardless of what we do.

Senator EASTLAND. It is time we got on the road, though, Mr. White.

Mr. WHITE. But for this season we say that we can proceed cautiously and with regard to the interests of our customers, the farmer and our own Government. So we are on the cautious side, I will say, about what you should do.

Senator EASTLAND. You mean the United States is on the cautious side of your organization?

Mr. White. The American Cotton Shippers Association. Of course, too, the present policies of the United States as set out in the statutes are even more cautious, but we hope that they will be changed in some respects.

3. That a firm program for the season 1955–56 be determined and announced as soon as possible with every possible assurance of its continuance throughout the season. As salesmen of the American cotton crop we cannot overemphasize the importance of giving our customers reassurance that there will be no sudden change which will destroy the value of their inventories, their work in process and their goods. Even talk of such a change by a responsible official or representative virtually stops our sales except for essential immediate consumption.

We saw that happen quite recently. Exports actually to date are some half-million bales ahead of last season.

Senator Eastland. Do you think they are going to hold up?

Mr. White. Exporters have become concerned about the way orders ceased when there was some talk that we might adopt a lower sales program. We think that they have actually run at a rate of about 113,000 a week in the last 13 weeks. So far as shipments are concerned, they have held up; so far as farmers' sales for the rest of the season, we know our foreign customers are going to shrink their inventories just as closely as they can; and, of course, by having our program announced and made relatively firm, we hope that fear will be eliminated and that they will go back to the same level at which sales were being made before the question started up again.

4. That the quality differences for the 1955 loan program be based on the average differences prevailing during the past three seasons rather than 1954–55 only. This would tend to correct the effect of the abnormal differences prevailing on certain qualities, such as high grade $1\frac{1}{16}$-inch cotton, and low grades this year, and permit them to move at normal commercial differences. And there are a number where we still think there will be a use for them.

5. That FOA and Public Law 480 programs for the next year be reviewed to assure availability of funds which can be used to increase internal consumption in countries which still have exchange difficulties.

Senator Eastland. Where are those countries, please, sir? I wish you would name them for the record.

Mr. White. Well, there is Italy, Yugoslavia, Spain, Japan, certainly all of them should be given careful study.

Senator Eastland. That is, for internal consumption?

Mr. White. Yes.

Senator Eastland. How many bales do you think we could export to those countries?

Mr. White. No estimate was made. We just realized that there was a situation where they don't have the exchange to acquire enough cotton for their own use.

6. That Export-Import Bank credit be available to cover requirements of countries in temporary exchange difficulties. There will be more opportunity for that.

7. That greater emphasis be placed upon carrying down the benefits of all funds made available under FOA and Public Law 480 and by Export-Import Bank to the consuming mills and the textile consumers.

Senator Eastland. What do you mean by that?

Mr. WHITE. To date, the FOA and Public Law 480 loans have been made to the governments, and the governments have benefited from them, but the actual textile mills that have to buy the cotton have received no particular benefit from them. We would like to see those benefits go on down to the textile mills. It was done in the case of one of the Export-Import Bank loans to Japan, in that the mills received a very low rate of interest on their borrowings during the period.

Senator EASTLAND. Would you submit an amendment to carry out the suggestion that you made in point 7?

Mr. WHITE. We will certainly try to work it out.

Senator EASTLAND. When can we get it?

Mr. WHITE. I would have to work with the committee on that, Senator. I would hesitate to tell you, but we will certainly push it.

Senator EASTLAND. We would appreciate it.

Mr. WHITE. In addition to the above recommendations the directors of the association instructed me particularly to call to the attention of your committee the effectiveness of the sales provision program of the National Cotton Council in expanding use of cotton in the United States, and to express the belief that similar programs designed to fit particular conditions in foreign markets offer real possibilities that the council, the cotton industry and every governmental department should push.

Our final and most basic recommendation is that the present flexible price support law be reexamined carefully to make sure that it will really, and not just theoretically, permit the law of actual market supply and demand to begin effectively operating in the crop year starting August 1, 1956.

Senator EASTLAND. What is it, now, that you advocate to dispose of our million bale surplus?

Mr. WHITE. We advocate the various suggestions made and enumerated above, Senator. And we think you will have accomplished that by the end of 1957.

Senator EASTLAND. We are moving into an acreage reduction, aren't we?

Mr. WHITE. The program of high price supports—I don't like even to call them high price supports, because our attitude in general has not been that the price is necessarily high, but above-market price supports, and acreage controls inevitably take it out of the farmer at one point or the other.

Senator EASTLAND. Yes. But, of course, I agree that House Resolution 1, over a period of years, would help the cotton business. It will help the entire economy of this country, and the entire economy of the world. But what is it, now, that you advocate for the next 2 or 3 years that will help increase the consumption, the exports of American cotton?

Mr. WHITE. We advocate a definite policy, firmly announced, making it to the interest of these foreign mills and merchants to buy cotton without fear that their stocks are going to be depreciated.

Senator EASTLAND. What do you mean, an announcement that there will be no cheaper price for American cotton?

Mr. WHITE. Other than the effects of these particular points, which means a somewhat cheaper price, in our estimation.

Senator EASTLAND. Well, Public Law 480—you mean aside from that, the mutual aid program——

Mr. WHITE. You understand, Senator, that we are recommending that CCC offer its stocks not only under Public Law 480, but for domestic and export sales generally.

Senator EASTLAND. Now, that will reduce world cotton prices, won't it?

Mr. WHITE. It will reduce them by a small amount, or it will keep them from going up. None of the directors felt, as I say, that we would accomplish anything very material in the way of increasing our exports this next season by any reasonable reduction in the prices at which we offered our cotton abroad. In the long run, they feel that it is essential that we let our cotton sell at the price which the market fixes.

Senator EASTLAND. Senator Holland?

Senator HOLLAND. No questions right now.

Senator EASTLAND. Senator Schoeppel?

Senator SCHOEPPEL. No questions.

Senator EASTLAND. We thank you for a very fine statement.

Now, I want to put in the record a telegram from Congressman Whitten giving his views, a telegram from Rufus Mock, the executive vice president of the Mississippi Cotton Compress and Cotton Warehouse Association, and a letter from James P. Dale, of Prentiss, Miss.

(The telegrams and letter referred to follow:)

WASHINGTON, D. C., *March 1, 1955.*

Senator JAMES O. EASTLAND,
Chairman Agriculture Subcommittee,
United States Senate, Washington, D. C.

May I suggest following facts in connection with efforts to export cotton. Foreign countries do have dollars as shown by my recent hearings. Our policy of not offering our farm commodities for sale competitively in world trade has resulted in dollars foreign countries have going for other United States exports. Export of American agricultural commodities had dropped to 18 percent of total from high of 29 percent in 1938. Same hearings disclose that all other countries except United States are offering many of their commodities surplus to domestic need in world trade on competitive basis. England uses device of purchase tax, Holland and France use device of subsidies, but in every instance all nations offer what they do not need at home for sale. Russian cotton is moving into the British Commonwealth at prices considerably below United States prices. If it were not so serious efforts of so many to attempt to move United States cotton in any form except sale for dollars would be amusing. Situations so serious, however, I must point out any other means than to move our cotton through our own export traders at competitive prices while it might give temporary protection for some segment would in long run ruin all engaged in the trade in the United States.

Domestic mills have immediate problem, but if foreign production increases and thereby makes available to competing mills a choice source of cotton, the long range interests of our textile mills would be disastrous. Our shippers, other cotton people, have just as much long range interest in keeping up volume of production in the United States as do producers.

All who suggest means other than sale competitively might save their immediate interests, but in each case would be ruining their long range interests. While some control of world wide production should be of some benefit the only way to get a conference on some international agreement is dependent upon a declaration to the world by the United States that hereafter, while we will cooperate so long as we get our share of world markets, what we do produce will be sold and will be sold competitively.

I firmly believe any fixed agreement on how much and when would bog down due to disagreement as to time and place of movements. The suggestion I have made is that the various problems be met by the Department of Agriculture by

determining how much we will offer for sale to our own traders on a competitive bid basis for export and control, how often such offerings are made. This is the only way we can work the matter out in my opinion without failing because of disagreements between different segments as to how and when. I firmly believe any fixed price ceiling or any subsidy on sales would constitute an umbrella or pegged price which would defeat our prime need to keep American farmers farming and selling what we produce for dollars, which can easily be done.

I have requested an investigation by my appropriations subcommittee of the degree of foreign expansion, the financial interests behind it, as well as the tax benefits which are given to American financial interests which have gone into the various foreign countries to increase cotton production. Much damage has been done to us by the grant of American dollars, but in my opinion much more damage is being done by the department in fixing United States support price as world price which means an assurance of profits to our own investors in foreign countries. Will be glad to testify before your committee if you think helpful.

Regards,

JAMIE L. WHITTEN,
Member of Congress.

GREENVILLE, MISS., *February 28, 1955.*

Senator JAMES O. EASTLAND,
Chairman, Senate Subcommittee on Disposal of Agricultural Surpluses,
Senate Office Building, Washington, D. C.

Sharp cutbacks United States cotton acreage and continued increase foreign production seen as threat to cotton industry of United States. Farm income Mississippi down 26 percent 1954 due to acreage controls and drought.

Further cutback 1955 acreage indicates another sharp drop State income. Export markets seen as key to cotton surplus problem. Positive and immediate action urgently needed and this organization will support any sound system that can be planned to increase the exportation of United States grown cotton.

RUFUS M. MOCK,
Executive vice president, Mississippi Cotton Compress and Cotton Warehouse Association.

VETERANS' FARM AND HOME BOARD,
Jackson, Miss., March 1, 1955.

Hon. JAMES O. EASTLAND,
United States Senate,
Washington, D. C.

DEAR SENATOR: I wish to direct to your attention the fact that many veterans in Mississippi, and, of course, presumably throughout the Cotton Belt, will suffer undue hardships in 1955 unless the minimum cotton allotments are increased for the small farmer.

As you know, I am the State director of the Veterans' Farm and Home Board, which agency was established by the State of Mississippi to assist deserving young veterans in acquiring small homes and farms. We have made over a thousand loans to veterans in order that they may purchase farms and up until this time they have handled the repayment of their mortgage loans in a most satisfactory manner. However, it is increasingly evident that under the inequities of the new cotton allotments, many of these veterans will actually lose their farms and consequently their equities in the property unless some relief is provided in the form of an increased minimum acreage allotment which will permit them to survive, if not to prosper. We have had numerous letters, calls, and visits to our office from these veterans, some of whose acreage has been cut so low that the maximum production would actually not be sufficient to meet the interest on their mortgage debts.

It seems to us, therefore, that it is most essential that recognition be given to the fact that veterans who are seeking to rehabilitate themselves without assistance from Government sources, should not be so heavily penalized. We realize, of course, that the same inequities are falling on nonveterans as well; but we are, of course, more familiar with the many hardship cases which have come to our attention from our borrowers who are veterans.

Thank you very much for any consideration that you may give this appeal.

Sincerely yours,

JAMES P. DALE, *Executive Director.*

Senator EASTLAND. And I would also like to place in the record a prepared statement by John H. Todd on behalf of the National Cotton Compress & Cotton Warehouse Association, of which Mr. Todd is executive vice president.

(The statement referred to is as follows:)

STATEMENT FILED BY JOHN H. TODD, EXECUTIVE VICE PRESIDENT, NATIONAL COTTON COMPRESS AND COTTON WAREHOUSE ASSOCIATION, MEMPHIS, TENN.

My uame is John H. Todd. I live in Memphis, Tenn., aud am executive vice president of the National Cotton Compress & Cotton Warehouse Association, a federation of five regional associations. Its membership is composed of owners and operators of public cotton warehouse and compress-warehouse plants located throughout the 14 major cotton-producing States. Its members do not own, buy, or sell cotton, but operate as "bailees for hire" in the storage, compression, and otherwise physical servicing of cotton owned by farmers aud others. Except for ginning and transportation, they perform all of the physical bale-handliug operations involved in the marketing and distribution of the United States cotton crop.

Our annual membership and board meetings will not be held until May 2 and there has accordingly been no opportunity to seek formal action concerning the problems being studied by your committee. These problems have been discussed, without formal action, at previous meetings. This statement represents the association management's understanding of the views of our membership.

We agree that the productiou-supply-demand situation of United States cotton in relation to world production and world markets is approaching, if in fact it has not reached, a stage of crisis.

We are opposed in principle to governmental controls over our economy. We have recognized, however, the need of our cotton farmers for protection against ruinous declines in the prices received for their crops. When price supports are in effect at a level above world market prices, and substantial surpluses accumulate under such price-support programs, the economic necessity of reasonable and effective production controls cannot be denied.

While accumulation of such cotton surpluses tends temporarily to benefit cotton warehousemen, we feel that substantial and relatively stable annual levels of carryover, production, domestic consumption, and exports in the long run will produce the maximum in benefits for the entire United States cotton industry, including farmers, ginners, seed processors, warehousemen, merchants and spinners, and also for the consuming public.

Being in a very real sense middlemen, we have felt that representations on legislative issues relatiug to cotton price and production controls should be left to those most directly concerned, i. e., the producers, merchandisers, and spinners. Therefore, in the past we have consistently refrained from either supporting or opposing legislative proposals concerning such controls.

Like all other raw cotton interests, cotton warehousemen are subject to the hazards both of seasonality and of anuual fluctuatious in cotton supply (storage demand). Since Government price-support loans were first instituted in 1933, the volume of cotton in public storage in cotton-growing States has ranged from a low of 739,205 bales to a high of 15,538,740 bales (4.3 to 89.4 perceut of present storage capacity).

The monthly average for that 21-year period was 8,213,010 bales (47.2 percent of present storage capacity). Annual averages of such month-end stocks ranged from 19.2 to 76.6 percent of present storage capacity (table 1 attached). Table 2 (attached) shows that the month-to-month fluctuations during the past 7 crop years ranged from a low of 739.205 bales to a high of 12,068,828 bales (4.3 to 69.4 percent of present storage capacity). Annual averages of such month-end stocks in storage ranged from 19.2 to 53.2 percent of present storage capacity.

During such periods of extremely small stocks, warehouse service charges cannot be made high enough for the cotton warehouse industry to earn a reasonable (if any) operating profit. During periods of extremely large stocks, the resulting congestion reduces operating efficiency and causes per bale handling costs to soar. The resulting uncertainty and low level of annual average operating returns in terms of present investment values offer little or no attraction to new risk capital; and cause a continuing diversion of substautial cotton-storage space to other more profitable uses.

Since warehousemen generally undertake to maintain their facilities to care for whatever storage demand may develop, an increased measure of stability in the level of storage demand (cotton stocks) is clearly in their interest.

Cotton farmers and ginners, among others, obviously occupy a similar position in that their investments—in land, tools, and facilities—must be utilized at some minimum average proportion of capacity if the degree of economy and efficiency of their operations is to justify their continued engagement in the production and ginning of cotton.

If the 1954 and 1955 trend of reduction in cotton acreage is continued (as the existing situation indicates), the utilization of productive capacity of cotton farms and gins throughout substantial areas of the Cotton Belt cannot be maintained at or above the minimum level necessary for continued survival.

Indefinite continuation of that trend in acreage reduction would be suicidal to cotton production for export, for it appears that each reduction of cotton production in the United States is substantially offset by corresponding increases in cotton production abroad. By our own actions we are choking off our own share of foreign cotton markets to the benefit of increasing foreign production.

We believe it imperative that aggressive action be taken toward regaining and retaining our fair share of export markets. At present levels of foreign consumption, we believe that fair proportion is approximately 5 or 5½ million bales.

As suggested by one or more producer groups, we feel that planning and action should contemplate, in effect, the practical establishment and observation of a minimum efficient level of annual production. While we have made no scientific effort to determine what that level is, we feel that the suggested figure of 14 million bales is approximately correct.

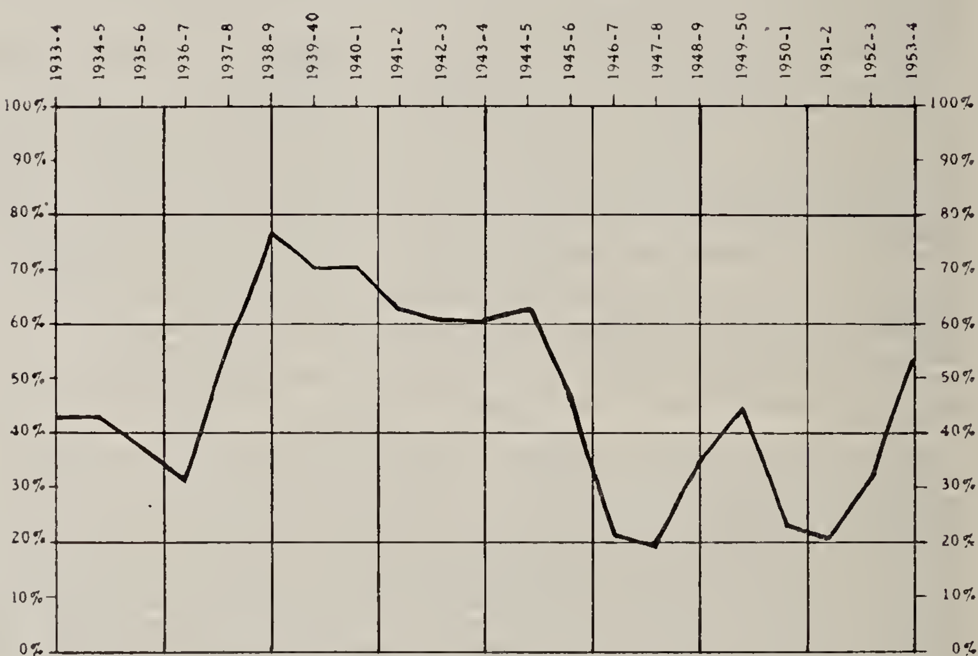
Clearly the primary need is to increase our cotton exports. While promotion of the sale and utilization of United States cotton abroad, export sales for foreign currencies, the balancing of imports with exports, currency convertibility, etc., are important factors in increasing our cotton exports, we cannot avoid the fact that the basic immediate problem is meeting the price competition of foreign growths. Among the various proposals thus far advanced for meeting that price competition, we see no ideal solution. Each of those suggested plans—and probably any plan which may be devised—would apparently have an adverse effect on some interest involved—upon foreign production, upon international good will, upon exports of domestic cotton products, upon the competition of United States manufacturers with imported cotton products in our domestic markets, upon foreign aid plans and programs, or of course upon the United States cotton farmer or taxpayer. In view of our lack of knowledge and experience in the complex field of international trade and finance, and because of our relative position, we would be presumptious to urge adoption of any particular plan.

We strongly feel that the problem should be aggressively and continuously attacked until a workable and acceptable solution is found; and that preferential consideration should be accorded to our own citizens—farmers, manufacturers, ginners, merchants, warehousemen, and taxpayers. We consider it especially reprehensible for the United States Government to provide incentive and protection to foreign cotton production or foreign cotton products at the expense of our own cotton farmers and cotton industry. We believe that an equitable balance between the true interests of our own people (including consumers and taxpayers) must be achieved, and that such balance can be achieved with the statesmanlike consideration, advice and assistance of the representatives of our cotton farmers, merchants, and manufacturers.

If at any time we can aid in achieving that objective we shall be happy to do so.

TABLE I

Annual Averages of Month-End Cotton Stocks in Public Storage
In Terms of Percentage of Storage Capacity
In Cotton-Producing States
Crop Years 1933-34 to 1953-54
(Since beginning of Government Cotton Price Supports)

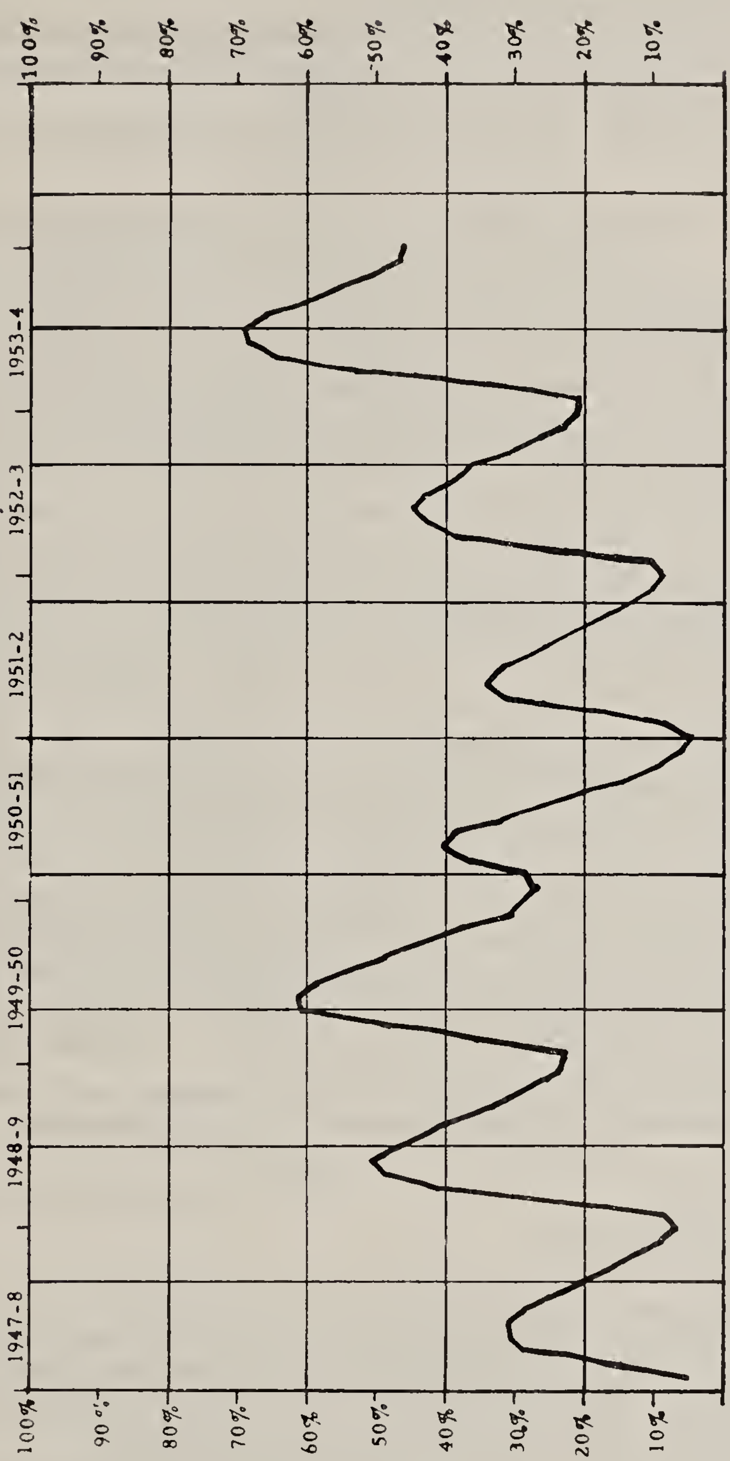


Source: Monthly Reports, Bureau of the Census

TABLE II

Month-End Cotton Stocks in Public Storage
In Terms of Percentage of Storage Capacity
In Cotton-Producing States

Crop Years 1947-8 to 1953-4



Source: Monthly Reports, Bureau of the Census

Senator EASTLAND. Is there anything else this afternoon?

Senator HOLLAND. Did you hear Mr. Hardy before I got in?

Senator EASTLAND. Yes, sir. And Mr. Long.

(Discussion off the record.)

Senator EASTLAND. We will meet Thursday morning at 10 a. m.

(Whereupon, at 3:50 p. m., the committee adjourned, to reconvene at 10 a. m., Thursday, March 3, 1955.)

(The following statement and letter were subsequently filed for the record:)

STATEMENT FILED BY C. J. COLMAN, ASSISTANT GENERAL MANAGER, STAPLE COTTON COOPERATIVE ASSOCIATION, GREENWOOD, MISS.

I am C. J. Coleman, assistant general manager of the Staple Cotton Cooperative Association with general offices located at Greenwood, Miss.

Our association is a cotton cooperative marketing association of growers organized in 1921 and operating in the Delta areas of Mississippi, Louisiana, and Arkansas. The membership consists of approximately 3,000 members, and we market cotton for grower members only. Our association markets approximately 50 percent of the cotton grown in the Mississippi Delta. The cotton is sold to shippers, merchants, domestic mills, and for export to most of the foreign countries who use American growth.

As to the matter of moving our cotton into export markets, it is our opinion that the chief problem is and has been for some time a matter of price. To illustrate, we have missed business to Japan early this season and throughout the season due to Mexican growth selling from 0.1 cent to 0.1½ cent per pound under our cotton of similar quality. Of course, the Mexican cotton grown in the West, in the Mexicali area, as well as in the provinces of Sonora and Sinola on the Gulf of California, do have some location advantages over our cottons from the Mississippi Delta in the movement to Japan, which should not be disregarded. However, the differential amounts to only a small part of the differences that have existed.

We have also missed business to Holland this season due to exotics being priced substantially under our cotton. Our agent there advises us that Syrian and Turkish cotton have been brought at 0.1½ cent per pound under our price.

We have recently missed business with England—Liverpool and Manchester—due to Russion cotton being priced at 2 cents a pound under our cotton. Our connection in India has also advised us that East-African growth is selling there at 2½ cents per pound for similar quality under prices quoted them.

One of the most recent illustrations of price of United States cotton versus Russion cotton in foreign markets is covered in a letter, dated March 5, 1955, from Bergen, Norway, which has been passed along to us. It is to be noted that Russian cotton of extremely nice quality is being priced there at 0.4 to 0.5 cent per pound under United States cotton. A photostatic copy of the letter referred to is attached hereto.

Therefore, it is our opinion that to move any quantity of American cotton into foreign markets, it is imperative that it be competitively priced.

BERGEN, NORWAY, *March 5, 1955.*

Re Russian Cotton.

MESSRS. MILLER & CO.,
Houston 1, Texas.

Dear Sirs, By the present we beg to inform you that we have lately seen very cheap offers for Russian cotton of an extremely nice quality. The prices have in some cases been 4 to 500 points under prices from the United States. If this is going to go on, this means a very big threat, not only to the American cotton, but to the cotton producers all over the world, and we should ask you kindly to take this matter up very seriously and see what can be done.

Sheltered by the high prices which the United States are keeping their cotton at, Russia is able to build up a production of cotton and a sale of cotton at much cheaper prices, but still with a very good profit. We do not see how this can serve any purpose.

We hope to hear from you, and remain, Dear Sirs,

Yours faithfully,

H. L. HOLLER, A/S.

DISPOSAL OF AGRICULTURAL SURPLUSES—COTTON

THURSDAY, MARCH 3, 1955

United States Senate
Subcomittee on Disposal of Agricultural Surpluses of
the Committee on Agriculture and Forestry,
Washington, D. C.

The subcommittee met at 10 a. m., in room 324, Senate Office Building, pursuant to adjournment, Senator James O. Eastland, presiding.

Present: Senators Eastland, Holland, Scott and Young.

Also present: Sam A. Thompson, advisor to the subcommittee.

Senator Eastland. The subcommittee will be in order. We are glad to see you here this morning, Mr. Randolph.

STATEMENTS OF WALTER L. RANDOLPH, VICE PRESIDENT, AMERICAN FARM BUREAU FEDERATION, MONTGOMERY, ALA.; AND JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. Randolph. Mr. Chairman and gentlemen of the subcommittee: My name is Walter L. Randolph. I live at Route 3, Fayette, Ala., and Montgomery, Ala., and I am president of the Alabama Farm Bureau Federation, and also vice president of the American Farm Bureau Federation.

I appreciate the opportunity to present the views of the American Farm Bureau Federation with regard to the expansion markets for United States farm products. We congratulate the Committee on Agriculture for making a thorough study of the export marketing problems and the apparent willingness of the committee to recommend remedial action.

The American Farm Bureau Federation believes that the export market is an important part of the market for United States farm products. Since the outlook in the domestic market is very good, the best assurance for a prosperous agriculture and relief from the burden of diverted acres and surpluses rests on the expansion of foreign markets.

We are glad to emphasize cotton exports at this initial hearing. However, we are equally concerned with the expansion of foreign markets for all farm products. We hope, therefore, the committee will carry out its plan to consider each of the major commodities in turn and permit the American Farm Bureau Federation to appear and present our recommendations.

The American Farm Bureau Federation has given a great deal of consideration to problems of export marketing. To expand export

markets requires attention to the same problems we face in domestic marketing problems plus those peculiar to foreign markets. I wish to draw the attention of the committee to the American Farm Bureau Federation's policies on international affairs relating to trade which were adopted at our annual meeting last December in New York City. These policies provide a comprehensive program for expanding foreign markets for United States farm products.

Now, Mr. Chairman, that is attached as exhibit No. 1, and I would appreciate it if you would print it in the record following my remarks.

Senator EASTLAND. Yes, sir, it will be printed in the record at the conclusion of your statement.

Mr. RANDOLPH. We believe that the prospect for increasing the sale and export of cotton is relatively good. The export of American cotton for 1952–53 marketing year totaled only 3,048,000 bales. In 1953–54 exports totaled 3,761,000 bales.

We are confident that the export for the present year 1954–55 would show another considerable increase of about 20 percent above the previous year and that exports this year will run in the neighborhood of 4,500,000 bales.

Senator EASTLAND. No, sir, low exports in the 1952–53 season and in the 1953–54 season were due to the fact that Brazil was moving off, was liquidating a 2-year crop by the use of an export subsidy, and for this reason, our exports in that time were abnormally low.

Mr. RANDOLPH. That was one of the reasons.

Senator EASTLAND. What is the other one?

Mr. RANDOLPH. I do not know that I can name all of them so far as that goes. We slowed up in our furnishing of funds to foreign countries to some extent—shortage of dollars. I think it is pretty well known that those are two of the important ones.

Senator EASTLAND. The principal reason, though, was that we were not competitive in price, were we?

Mr. RANDOLPH. I would have to look that up. I do not recall that. I have statistics here as to the price. It is somewhere in this file. I am not saying that is right or wrong. I don't know myself.

Senator EASTLAND. All right, proceed.

Mr. RANDOLPH. We feel confident that with a vigorous sales-promotion program using all the available facilities for encouraging exports, that in the marketing year 1955–56 that we should be able to increase our sales and export of cotton to 5 million bales.

Senator EASTLAND. We still have not regained our place in international export trade: is that right?

Mr. RANDOLPH. I think that we could state that is right. I think we could say this, certainly, in the setting up of a goal to reach in the export of cotton that we ought to try to at least export about 4 out of every 10 bales of cotton. And 5 million bales ought to be considered a minimum goal. I suppose we would like to see it more than that.

Senator EASTLAND. I agree with you now when the world is going through this latest boom, with the greatest prosperity in its history. I think we ought to be exporting a minimum of 6 to 7 million bales of cotton a year.

Mr. RANDOLPH. You do not disagree with me, Senator. I said that this certainly should be a minimum. I think we ought to export all we can, certainly, there is the possibility that we will run it up, too.

Senator EASTLAND. With 8½ million bales, domestic consumption and 5 million bales export, we are still down to 21 million acres, are we not?

Mr. RANDOLPH. I would think about that.

Senator EASTLAND. The way irrigation is expanding, it will be less than that.

Mr. RANDOLPH. Of course, I would have to calculate that but just to cover it in a general way: I think we ought to look toward producing and selling about 15 million bales of cotton a year.

Senator EASTLAND. And take the steps now that will do that?

Mr. RANDOLPH. That is right.

Senator EASTLAND. The first one of those steps so far as exports are concerned, we have got to be competitive, haven't we?

Mr. RANDOLPH. Yes, sir; we need to be competitive and we are.

Senator EASTLAND. We are temporarily.

Mr. RANDOLPH. We have been for a good little while now.

Senator EASTLAND. On the domestic front of course we have to compete with synthetics if we are going to retain high domestic consumption?

Mr. RANDOLPH. Yes, sir; we are doing a fair job of that.

Senator EASTLAND. Now, proceed.

Mr. RANDOLPH. During this marketing year 1954–55 it is estimated that approximately 500,000 bales of cotton will be exported under the provisions of the Agricultural Trade Development Act of 1954, Public Law 480. At the appropriate time we will recommend changes in this law in order to make it more workable and increase the funds from the current limit of $700 million to $1,500 million.

As stated before, the outlook for the export of American cotton is reasonably good. The brightness of this outlook is being darkened to some extent at present by the people who are advocating the sale of American cotton at unnecessarily low prices in the world market.

I want to insert something right here.

Senator EASTLAND. All right.

Mr. RANDOLPH. I asked Mr. John C. White to call the New York Cotton Exchange and get some figures for me on exports of cotton that I might insert in the record at this point, and he did that and this morning he called me and said that the statistician of the New York Cotton Exchange said that during the 13 weeks which ended on February 24, on the basis of the best data they have, we exported 1,469,000 bales. Or you might say that for the 3-month period, 13 weeks ending February 24, our cotton exports averaged 113,000 bales per week. Of course, I am sure that exports may not continue at that rate during all of the season, but that is at the rate of 5,876,000 bales per year. I have information that the bookings for steamship space for cotton during March indicates that exports during March will probably be better than they were in February.

Senator EASTLAND. You state here that we will export a half-million bales in 1954–55, under Public Law 480. There has been testimony, I have forgotten from whom, it might have been Mr. White—I would not be certain—that we had actually moved about 25,000 bales under that law.

Mr. LYNN. The statement could have been made by Mr. White.

Mr. RANDOLPH. Well, Mr. Chairman, the figure I gave I got from the Secretary of Agriculture, Mr. Benson, and his Department, and I hope that this figure is correct instead of the other one.

Senator EASTLAND. I hope it is right, too.

Mr. RANDOLPH. I do not know.

Senator EASTLAND. Proceed.

Mr. RANDOLPH. But anyway, this is the figure that the Department has estimated.

I think the fact that our outlook for cotton exports is good is borne out by the figures that I have given.

Senator EASTLAND. Do you not have the estimate for the rest of the year?

Mr. RANDOLPH. I do not.

Many such recommendations concerning selling cotton at low prices have had prominent play in the newspapers lately. We believe the advocacy of the sales of American cotton at considerably lower prices in the world market creates uncertainty on the part of buyers in foreign countries and will decrease our ability to export. Such a program of lowering the price of our cotton for export is not only detrimental but it is clearly inadvisable and unnecessary to the attainment of a reasonable goal of export of American cotton.

Senator EASTLAND. I agree with you there now to a degree. But what effect?

Mr. RANDOLPH. I think all this is solely a matter of degree.

Senator EASTLAND. What effect does that uncertainty have? What effect would that uncertainty have on acreage expansion in foreign countries?

Mr. RANDOLPH. I am speaking here, let me see, what effect? It would probably, it might have the opposite effect on that. Well, not the opposite but it might have the same effect. That is, it might cause less acreage to be planted. Although I do not know for sure about that. The uncertainty I am referring to here is just simply this, if buyers in these countries that we export our cotton to think they will get the cotton cheaper later on they would be inclined——

Senator EASTLAND. Not buy as much——

Mr. RANDOLPH. Buy what they had to have and to put off when they might get it a cent or 2 cents or 5 cents cheaper a pound later on, if some of the plans being advocated happen to be put into effect.

Senator EASTLAND. I agree with you.

Mr. RANDOLPH. "Dumping" is a foreign-trade device which could conceivably result in some increase in the export of cotton in the short run, but, in my opinion, would be a marked hindrance in the long run. It would invite reprisals on the part of foreign countries and endanger our efforts to keep friendly nations friendly and maintain world peace. And, furthermore, fortunately, such appears not to be needed. The price of American cotton is competitive with that of most foreign growths of like kind. If we subsidize the export of American cotton 5 cents per pound on 5 million bales, it would cost us about $125 million. Even if it resulted in increasing the export of cotton 500,000 bales, this would be only about $87,500,000 worth of cotton. It is obvious we could lose quite a lot of money right quickly that way and otherwise do ourselves much more harm than good.

Senator EASTLAND. Haven't we got to have assistance now to make it unattractive to people to finance cotton in Brazil and Mexico? And to stop this terrific expansion in acreage?

Mr. RANDOLPH. There was some expansion in acreage last year, the increase in the crop production in the world last year was due more to good weather than to increase in acreage.

I agree with you.

Senator EASTLAND. You have a buildup, an expanding of acreage every year?

Mr. RANDOLPH. There is an increase in foreign acreage—there is no question about that.

We would like, of course, not to have such an increase. I do not know just how low we would have to price the cotton to stop that increase. It has been going on for a hundred years.

Senator EASTLAND. But today's expansion has been since 1953.

Mr. RANDOLPH. If extremely low prices could bring that about, then we would have to weigh the advantages and disadvantages of it.

Senator EASTLAND. What was that figure, I understand you have some information on that, those figures?

Mr. RANDOLPH. I have two kinds of figures, both production and acreage. I do not have 1940 figures, the level here, but production in the world outside of the United States—I guess this is all world production—it is. You want to get the part outside of the United States; don't you?

Senator EASTLAND. Yes.

Mr. RANDOLPH. I have got 1938 and 1939 here, that was 17,847,000 bales. Then we will take 1945–46 and it was 12,072,000 bales.

1949–50, was 15,159,000 bales. And then for 1952–53 it was 20,660,000 bales. Then for 1954–55 was 22,676,000 bales. That gives you some idea of it.

Senator EASTLAND. It is going to continue; is it not?

Mr. RANDOLPH. I doubt if it will continue quite to the extent that it did in 1954–55 on account of that being one of the best seasons that we have ever had for cotton throughout the world. You know we made our highest yield here in this country last year and that was true in other countries, and Mexico, I believe, had an increase in yield of, just from memory, I think it was 40 percent over the previous year. That accounted for about half a million bales of production there. We will check that figure.

Senator EASTLAND. We have testimony so far as Mexico is concerned, of 700,000 new acres going into cotton on the Gulf, the lower part of California, this year.

Mr. RANDOLPH. The expansion of cotton acreage outside of this country will probably be due in large part to irrigation projects. There are some in Mexico as the testimony shows. There will be some in Turkey probably. It may take some time of course to complete the Turkish projects.

Senator EASTLAND. But the testimony shows the 700,000 acres going into cotton of new production along the Gulf of Lower California.

Mr. RANDOLPH. They are expanding. You are right, we have got that problem.

Do you want some acreage, I mean, acreage figures at this point, Senator?

Senator EASTLAND. Yes, sir.

Mr. RANDOLPH. I have some figures here. These are from the National Cotton Council and the source is the International Cotton Ad-

visory Committee. I assume this whole table will probably be inserted in the record by the council but I will give a few figures if that will serve the purpose at this point. For the period 1934–35 to 1938–39, we had 29.4 million acres in the United States and 41.1, in other countries. And then for the period 1949–50, 1953–54, the average in the United States was 24.5 million acres and outside was 38.0 million acres.

Now then let us take the year 1954–55. The figure for the United States is 19.2 and other countries 43.3. That indicates some of the trend in the increase in acreage.

That is one of our chief problems.

Another aspect of the cotton industry that would be vitally affected by cutrate pricing would be our domestic textile industry. We should always keep in mind that our best customers for cotton are the textile mills of the United States. If we should adopt a policy of greatly subsidizing the exports of cotton, and with the efficiency already attained by some of our competing textile manufacturers, it would create great problems with regard to the importation of finished textile goods.

We have available for our customers throughout the world the best quality cotton and currently it is generally competitively priced.

Senator EASTLAND. In there, back there to the textile mills, would you care to comment on the competition that cotton is getting from synthetic fibers?

Mr. RANDOLPH. Yes, sir.

Senator EASTLAND. What effect it will have on the domestic consumption of cotton.

Mr. RANDOLPH. The competition from synthetics is rather serious especially in the industrial field. I think we have some figures here somewhere that bear on that.

Of course, as you know, nearly all of the tire cord is now made from synthetic fiber.

Senator EASTLAND. That is not a price factor, though, is it?

Mr. RANDOLPH. Price has considerable to do with that, Senator. Not altogether. That is not the only reason but I think it had much to do with the fact that the tire-cord market has been taken over to a very great extent by synthetic fibers. In household goods and in wearing apparel, we have had a good experience and the consumption of cotton for those uses has increased. At the same time there has been a big increase in the consumption of rayon and other synthetic fibers. It is a very serious problem. Actually, we are not at the present time, unless you consider the quality, not necessarily competitive in price with rayon.

This probably will be put in the record later, but just to try to answer your question, Midland fifteen-sixteenths inch cotton, 1954, 41.8 cents per pound. Strict Midland, one and a sixteenth inches, 44.4 and staple fiber rayon, 35.7.

I could give you more figures but you will have these in the record later.

Senator YOUNG. May I ask a question? Do you believe, in the case of cotton, that a 90-percent price support is pricing cotton out of the market?

Mr. RANDOLPH. At the present time, we are doing quite well with the 90-percent price support on cotton. Of course under the Agri-

cultural Act of 1954 it appears that we will have a 90-percent price support for cotton.

Senator YOUNG. Indefinitely?

Mr. RANDOLPH. For several years, yes. At least until the present surplus is worked off—unless we have some catastrophe of some kind, war, something of that nature.

Senator YOUNG. Why does not the American Farm Bureau take a position that 90-percent support for wheat would price it out of the market? You recognize, to some extent, that 90-percent price supports are pricing cotton out of the market. Don't you object to that?

Mr. RANDOLPH. I will talk about wheat a little bit, though I am somewhat reluctant to do that with you because I know you know that subject much better than I do, living in the wheat country and having studied it a great deal but I just pointed out here that cotton is competitive on the world market on the price, generally speaking. There are some exceptions to that. We have some cottons that are in short supply in this country. The kind that Senator Eastland is raising down in his part of the country. The price of that is well above the loan rate. Some kinds of it as much as from 300 to 400 points.

Senator YOUNG. Some kinds of wheat are.

Senator EASTLAND. I am glad to hear that because I cannot sell mine.

Mr. RANDOLPH. You might not raise that kind. It is raised in your part of the Cotton Belt.

Senator YOUNG. May I interrupt? Some kinds of wheat are selling far above support levels. Durum is selling at $2 or more a bushel over the support level.

Mr. RANDOLPH. That is correct. I mentioned that exception, not as a part of my answer, but just so that the record would be a little more nearly correct.

Senator YOUNG. I see.

Mr. RANDOLPH. In the case of wheat, the price support for 1954, I believe was $2.24 a bushel. Now we are selling wheat on the world market at about $1.65. That is quite a spread there.

Senator HOLLAND. You do not have any international cotton agreement as the counterpart of the International Wheat Agreement either, do you?

Mr. RANDOLPH. No, sir.

Senator YOUNG. Almost every country in the world maintains a two-price system for wheat. That is true of the Argentine, France, Tukey, Australia, and Canada. All of them maintain a two-price system, higher prices for domestic use and lower price for export. You do not do this with cotton.

Mr. RANDOLPH. Well, just because nearly everybody sins, does not necessarily mean that it is the right thing to do.

Senator EASTLAND. It means you have to meet that of necessity, does it not?

Mr. RANDOLPH. Yes.

Senator EASTLAND. Whether it is right or wrong.

Mr. RANDOLPH. That is true.

Senator EASTLAND. So as to stay in business.

Mr. RANDOLPH. Let me proceed. There are some differences between each commodity. I guess another difference is this: Cotton stores easily and for a long time. I saw a bale of cotton once that was 60 years old and still in good condition. Wheat is storable but not as storable as cotton. It makes the problem more difficult. I expect you might differ with me on this point, but that would be quite all right, because we both have the right to disagree. I think that the price support in the case of wheat at 90 percent of parity is much higher relative to the cost of production than it is in the case of cotton. We have some evidence from one of the colleges, I think it is Kansas, that wheat in the best part of the Kansas Wheat Belt is produced at a cost of around 70 to 80 cents a bushel.

Senator YOUNG. What?

Mr. RANDOLPH. Seventy to eighty cents a bushel.

Senator YOUNG. Over a period of 10 years?

Mr. RANDOLPH. I do not know what period.

Senator YOUNG. Taking into consideration crop losses and other factors the cost is far in excess of your figure.

Mr. RANDOLPH. I do not know what all they took into consideration. I do know that is a low-cost producing area. That is where they make good wheat. In Illinois, for example, I expect the cost of producing wheat, or at least I have been told this, might run $1.50 to $1.65 a bushel—something like that. There are several other reasons why we have the position we have. I might mention something Mr. Lynn reminds me of, a very important point.

Cotton has, I think, about several hundred different classifications as to quality and staple. And for each one of those—I mean for each major group of classifications there is a different loan rate. It is fairly well geared to reflect the differences in the market under normal conditions. In the case of wheat we have very little difference in the price support regardless of the kind of wheat it is, whether it is millable or whether it is not millable.

Senator YOUNG. There should be more differentials as to quality for wheat?

Mr. RANDOLPH. Yes, that is right.

Senator YOUNG. That is one of the big troubles with the wheat price-support program right now.

Mr. RANDOLPH. I think you are right.

Senator YOUNG. The price support, for example, of wheat in Maryland and New York is about 30 cents a bushel higher than it is for durum wheat in my State and durum wheat is in short supply and selling on the cash market for $2 a bushel over support levels. What it is doing to the wheat industry is this: in Kansas the farmers obtained some very high-producing, low-quality wheat and they are producing for the price-support program. That is true of part of their production. Our farmers have not done that to date. They are about to do it. Unless some fair differentials are established to give recognition to quality——

Mr. RANDOLPH. I am unable to understand why that has not been done. We are urging that be done as strongly as we know how. We think that is one of the things that certainly should be done.

Senator YOUNG. That is the big reason why the production of wheat has moved out of the so-called commercial areas, rather than the

90-percent price support. USDA has been giving them a higher support level. There is no sense to it. It will destroy the program.

Mr. RANDOLPH. I am afraid it will. I hope we can get it corrected before it does.

Senator EASTLAND. Senator Holland has a question.

Senator HOLLAND. I just wanted to say that the Senator from North Dakota has been completely consistent ever since I have been in the Senate, insisting that the price-support structure for wheat in which, of course, he and his people are greatly interested, lacks a perfecting feature which we have just been talking about, that is, the differentiation between the millable wheat and that which is not. While we sometimes do not agree on price-support programs, I think that is one thing that I could agree with him 100 percent on and I hope he will move to correct it and I will certainly aid him in that.

Senator YOUNG. We almost got an amendment like that in the last agricultural act. We tried to get it approved in committee and we almost made it. I want to say at this point that I do not object to 90-percent support for cotton. I think it is feasible and the best thing possible. I want to help in every way I can to solve your problems. You have problems with cotton just as we do with wheat. You have some bad ones.

Senator EASTLAND. When you speak of the textile industry, I want to ask you this question: You have two problems there, have you not, in case American cotton were priced like wheat is, in the export markets cheaper than in this country, first, it would make textile exports noncompetitive? That is one, is it not?

Mr. RANDOLPH. That would be true unless, of course, you likewise subsidize the textile exports.

Senator EASTLAND. You can meet, or you could meet that by subsidizing textiles, could you not?

Mr. RANDOLPH. To some extent; yes, sir.

Senator EASTLAND. Your next one.

Mr. RANDOLPH. It will all depend upon how cheap other countries could meet the competition.

Senator EASTLAND. That is right. Your next problem is that, if our cotton were priced low enough, goods would come in, foreign textiles would be imported into this country over the tariff. That is the next problem, is it not?

Mr. RANDOLPH. It certainly is. And there is already being imported into this country quite a quantity of textiles.

Senator HOLLAND. May I ask a question? Are there any imports except the extra long staple cotton?

Senator EASTLAND. Textiles.

Mr. RANDOLPH. I am speaking of textiles. Especially Japanese textiles are being imported into the country at this time, quite a large amount of them, and they have much lower wages there than we do.

Senator EASTLAND. I say those are the two problems that affect the textile industry; are they the only two?

Mr. RANDOLPH. They are the main ones. I am not sure they are the only ones.

Senator EASTLAND. They are the principal ones?

Mr. RANDOLPH. I believe so; yes, sir.

Senator EASTLAND. Point 2 could be reached by a reasonable quota system, could it not?

Mr. RANDOLPH. Well, I will answer your question, yes, but I am not necessarily advocating the quota system.

Senator EASTLAND. I am just asking you a question.

Mr. RANDOLPH. It probably could.

Senator EASTLAND. All right, that would take care of the textile industry. What chance has the American cotton grower when our prices get out of line with foreign prices, and which they are bound to do in the future with this increasing foreign production? If we do not meet foreign prices——

Mr. RANDOLPH. Mr. Chairman, I am not saying that we have found the final solution to the pricing of cotton.

Senator EASTLAND. I say what can, over the long pull, now be done, when our prices get out of line, if we do not meet that price, and retain our margin, what chance does the cotton grower have?

Mr. RANDOLPH. I again am not advocating lowering the price support on cotton at this time. I wanted to make a statement about the price system in general, if I may.

Senator EASTLAND. That is right; but I would like you to answer my question. What chance does he have to retain his markets if he is not competitive, whether it comes through a subsidy or reducing the support price, or whatever it is?

Mr. RANDOLPH. The American Farm Bureau Federation advocates that prices be competitive on the export market. Of course, if we lose our exports, we will be in bad shape. As I say, we may not have found the best solution to the problem of pricing cotton. I think we need to keep several factors in mind when we think about the price of cotton. First, it should be a price that will encourage consumption. And second, it should discourage competition. That includes, not only foreign cottons, but also synthetic fibers.

Third, it should encourage efficiency in production. And fourth, it should maintain the highest possible income for the cotton producers and the others who are engaged in the cotton industry.

Senator EASTLAND. I am talking about your personal views now. You know the answers.

Mr. RANDOLPH. This latter statement was my personal view, the one I just made. If I haven't answered your question, I will try to do it. Wherever I failed to answer it——

Senator EASTLAND. I do not think you have failed. I just asked you for your personal view.

Mr. RANDOLPH. These views, the statement that I made about these four points, that is my own personal view. Everything else I have said here is the opinion of the American Farm Bureau Federation, also my own. But this is just something that I jotted down, myself, that has not been passed on by the Bureau. Mr. Lynn says that is in line with the Farm Bureau policy. I had not checked it. I was just making that as my own statement.

Senator EASTLAND. As a matter of fact, you realize that we must stay competitive to protect our markets, don't you?

Mr. RANDOLPH. That is right.

Senator EASTLAND. And we also must move in and recapture whatever markets we can to pull exports up to a level where we can plant a reasonable acreage of cotton. That is the goal, is it not?

Mr. RANDOLPH. That is right.

Senator EASTLAND. That means that the mills are entitled to reasonable protection because that would protect acreage that could be planted in this country.

Mr. RANDOLPH. I agree with that.

Senator EASTLAND. Under Public Law 480, the weakness is, that we do not move in against other countries under that law? The law states that it shall not disturb normal patterns of marketing. That we cannot use that law to recapture from Brazil, from Mexico, or from Turkey markets that they have gotten from us?

Mr. RANDOLPH. Mr. Lynn knows that better than I do. Would you let him answer?

Mr. LYNN. Public Law 480, Senator Eastland, does have this provision in there. However, when you look at the world statistics on consumption of cotton, both in Europe and in the Far East, and see the low level of consumption, Public Law 480 certainly gives the administrative agencies of Government authority and permission to go in there and increase that consumption of cotton, in those countries, I think.

Senator EASTLAND. Well, now, what countries aside from India have—those backward countries—what is their manufacturing capacity?

Mr. LYNN. Japan has a tremendous spinning capacity. Unless by the utilization of Public Law 480 and the local currencies that we would get for the sale of wheat and other commodities—we have got to help Japan under Public Law 480, find a market for her textiles in these low income countries that do not have the spinning capacity.

That has been one of the main things that we have worked on.

Senator EASTLAND. I think that is very sound, I think that is very sound.

Mr. RANDOLPH. We need to use every facility at our command to increase the exports of cotton on a sound basis, and I mean on a basis that will be long lasting. This is possible only if we concentrate our efforts in the right direction. This cannot be done by waving some magic wand, and we will prove detrimental to the whole cotton industry if we fail to use our best judgment at this time.

If we are to build—and I am sure we must build—an ever-expanding market for export of our agricultural commodities, our customers must have an opportunity to pay. We believe that a new look should be taken at our foreign economic relations and that the foreign economic policies of the United States should be reoriented to take into consideration the capacity of the United States to buy industrial raw materials.

Certainly, if we are to export at a high rate, we must either import or continue to fill the so-called dollar gap with economic grant aid.

There is great opportunity for increasing the importation of industrial raw materials. At the present time many of the various scarce strategic materials are imported to a very limited extent, based on monthly industrial requirements, plus a shirttail full for the United States Government stockpile. The United States Government stockpile of inexhaustible and irreplaceable materials is less than 4 billion—about one-half of our stockpile of agricultural commodities.

The nations who are customers of the United States for farm products could pay for an increasing amount of our farm products over

a period of time with basic industrial raw materials if our foreign economic policy was given new direction.

We recognize that we must maintain a strong domestic mining industry, and we are for keeping this industry healthy. However, we believe that there is opportunity for the United States to stockpile on a longtime basis, to be used only in an extreme emergency, many of the critical materials that will certainly be necessary in the case of an all-out armed conflict.

We also believe that there is great opportunity for improving our credit terms for the export of agricultural commodities. If we are going to compete for the foreign market, we must have enough flexibility in our credit arrangements to at least meet the competition of other exporting countries. For some of our agricultural exports, we require the opening of an irrevocable letter of credit before shipment is started to the port. For southeast Asia, where credit is most important, importers' funds are tied up from 3 to 6 months.

The Export-Import Bank was created to provide some better credit for export of farm products. At that time Agriculture was represented on the Board of Directors. Agriculture is no longer specifically represented.

The cargo-preference bill, Public Law 664, requires that 50 percent of all cargoes financed by the bank shall move in United States cargo vessels. Our best customers of farm products are maritime nations. This act increases the cost of ocean freight to the buyers, exhausts the limited dollars that customers have for services which they can perform themselves. This is a subsidy to the merchant marine at the expense of American agriculture. We believe we should have a strong merchant marine, and if a reasonable subsidy is necessary, we would favor this; however, we do not believe United States agriculture should pay this subsidy. If it is necessary, let us do it by a direct appropriation or by some other means.

Public Law 480 was designed to convert a portion of the frozen assets of Commodity Credit Corporation into a revolving fund of working capital to promote trade expansion and economic development in such a way as to create new and continuous markets for United States farm products. The language of the bill encourages such a conception.

The problem is to expand the total world market for farm products. New markets must be created. One point I would like to stress is that the creation of new markets requires a sustained program. Markets will not be created on a one-shot basis. Nations will not trouble themselves to get an increase in consumption of cotton or textiles unless there is a sustained program year after year.

Senator EASTLAND. I have to step upstairs to vote on the Judge Harlan nomination. You will probably be through when I get back. I would like to ask you this question: Is it the Farm Bureau's position, first, that in cotton exports we must stay in a competitive position?

Mr. RANDOLPH. I believe I had better read——

Senator EASTLAND. Let me get through; wait a minute.

Mr. RANDOLPH. I thought you had finished.

Senator EASTLAND. That we should not break the international price of cotton, that we used to increase our exports Public Law 480, credit and reciprocal trade agreement program.

Mr. RANDOLPH. The last three questions I answer "Yes." The answer to the first question is "Yes," with some qualifications. I want to read the resolution on that so that we will have it clear in the record—here is what our resolution or part of what they say on your first question.

> To expand export markets for farm products we must be prepared to deliver quality products, competitively priced and vigorously merchandised in markets where customers have the ability and continuous opportunity to earn dollars for these products.

There is another one I want to read. I haven't found it yet.

Senator EASTLAND. You know what is it. You helped draft those resolutions. What is the qualification?

Mr. RANDOLPH. I will find it in a minute. It says about the same thing as what I have just read. I might as well read it into the record, if you do not mind.

Senator EASTLAND. Just tell me now and read it into the record later.

Mr. RANDOLPH (reading):

> We must guard against legislative or administrative action which would demoralize markets or create unfair competition for producers, either at home or abroad. However, the executive branch of the Federal Government should not standy idly by and watch foreign outlets shrink when supplies are available in the United States. It requires much less effort to maintain an existing market than to regain one that has been lost. Accordingly, whenever supplies threaten to become excessive, action should be taken in a timely manner to permit the United States farm products to maintain a fair and stable competitive position in world markets.

(Senator Scott assumed the chair.)

The Agricultural Trade Development Act of 1954 was enacted as a 3-year program. Public Law 480 is written in a manner so that it could remove many of the limitations on expanding foreign markets. It can remove the limitation on the purchase of farm products due to a dollar or foreign exchange shortage. It can be used to provide credit for additional imports.

The foreign currencies can be used to modernize garment industries to materially reduce prices to consumers and to promote consumption of cotton.

The funds may be used to stimulate employment in production of goods for export and thus help create the ability to pay for continuous cotton imports. They can be used to open opportunities to pay for increased cotton imports by the United States entering into agreements to buy basic materials for a supplemental stockpile for periods up to 10 years, at which time market demands in the United States should have expanded sufficiently to maintain higher levels of imports.

We will have some specific recommendations to make for amendments to Public Law 480 at the proper time.

Our observations lead us to believe that there is a great deal of confusion among the administrative agencies of Government with regard to exports. We decrease our ability to make sales if on every individual transaction all of the various agencies of Government must agree. We recommend therefore that the Department of State lay down broad policy under which our exports will be made and that we leave to the Department of Agriculture the negotiation of individual transactions.

We believe that this will greatly facilitate our ability to increase our exports.

We appreciate very much the opportunity to present the views of the American Farm Bureau Federation with regard to the problem of increasing our agricultural exports, particularly cotton; and we recognize that there are many other problems that we have not attempted to cover. Certainly, if we are to succeed in our efforts, we must establish a policy, then we must abide by this policy. To expand our export market for farm products on a sound basis, we must be prepared to deliver quality products, competitively priced and vigorously merchandised in markets where consumers have the ability and continuous opportunity to earn dollars to pay for these products.

(Exhibit No. 1 referred to follows:)

EXTRACT FROM AMERICAN FARM BUREAU FEDERATION POLICIES FOR 1955, ADOPTED BY THE OFFICIAL VOTING DELEGATES OF THE MEMBER STATE ORGANIZATIONS AT THE 36TH ANNUAL CONVENTION IN NEW YORK ON DECEMBER 16, 1954

INTERNATIONAL AFFAIRS

The challenge to America is to exert the necessary leadership for successfully directing its capabilities to the maintenance of freedom and peace. The United States must demonstrate to the world that a dynamic, expanding, competitive capitalism is a major factor contributing to the more abundant life that people everywhere are seeking. For an economy to be dynamic and expanding, goods and capital must flow freely. This requires world trade and world investment, with governments encouraging private investment and stimulating trade as an outlet for the increasing productivity of the world's farms and factories. This approach requires systematic abandonment of policies directed toward restriction of the production and distribution of goods and services throughout the world.

The American people are directing great efforts toward the preservation of freedom and the expansion of the resources of free people. Security of nations depends to a great extent on long-term economic and defense arrangements with an increasing number of strong dependable allies. The highly developed and underdeveloped nations can be held together best if they are all made mutually benefiting partners of an expanding free world economy. The need to create powerful cohesive forces among nations has never been more urgent.

Markets are magnets for the allegiance of people. Expansion of mutually beneficial trade requires new mechanisms—new super highways for world commerce.

INTERNATIONAL TRADE

The expansion of international trade on a mutually advantageous basis is of vital importance to the prosperity and security of the United States and cooperating nations. Our national welfare is so much affected by what happens in the international field that we cannot afford to continue to deal piecemeal and on an unrelated basis with trade policies, foreign investments, technical assistance, and international defense measures.

The maintenance of a high standard of living in the United States is dependent to a large degree on a high level of imports and exports.

One of the most important tasks facing the United States in the field of foreign economic relations is to balance the domestic economy by increasing the volume of exports of agricultural products through sound foreign trade relationships. Congress and the executive departments of Government should (1) establish a clear-cut, long-range policy on foreign economic relations and trade which includes the export and sale through private trade of the maximum quantities of farm products, and (2) consistently maintain that policy.

EXPORTS OF FARM PRODUCTS

The prosperity of American agriculture is greatly dependent upon the maintenance of a high level of United States agricultural exports. Loss of export markets has resulted in increasing agricultural surpluses and has contributed to declines in farm income. A large portion of the acres diverted from basic commodities has been made necessary by our loss of export markets.

To expand export markets for farm products we must be prepared to deliver quality products, competitively priced and vigorously merchandised in markets where customers have the ability and continuous opportunity to earn dollars to pay for these products.

Quality products are essential

United States farm products should be known around the world for their high quality. Even a few cases where low quality, adulterated agricultural commodities are exported will cause potential customers to look elsewhere for higher quality commodities. We therefore recommend action to improve the quality of United States farm products exported, including regulations, procedures, and trade practices. Our sales practices and policies should provide foreign buyers the opportunity to buy the kind and grades of agricultural commodities that they want.

Competitive pricing

United States farm products must be competitively priced to encourage vigorous merchandising by private traders. Full implementation of the Agricultural Act of 1954 will progressively improve the competitive position of United States farm products in foreign markets. Meanwhile the Commodity Credit Corporation should encourage the movement of surplus commodities directly into world trade through private trade channels whenever possible before they become the property of the Government.

Government-owned farm products should be priced at points of storage as well as f.o.b ports in order to facilitate merchandising. The requirement that traders exporting private stocks under certain Government programs must purchase an equal quantity from CCC impedes trade and should be eliminated. We urge immediate and thorough consideration of measures to achieve competitive prices for surplus farm products.

We oppose cargo preferences to United States flag ships which impair the competitive sale of United States farm products in foreign markets.

Vigorous merchandising

All Government pricing and other policies should encourage maximum use of the great resources and facilities of private traders to sell United States farm products throughout the world. Market information, credit, and services of the Departments of Agriculture, State, and Commerce should be geared to aiding in the export of agricultural commodities. We urge that agricultural colleges and the Agricultural Research Administration cooperate on research to improve the handling, shipment, use, and marketing of farm products in foreign markets.

The agricultural attachés are in a position to provide valuable assistance to developing exports. They can provide essential marketing services. We recommend adequate financial support for the Foreign Agricultural Service to enable it to attract competent personnel and allow sufficient funds to enable them to do their job in all important foreign markets. This will greatly facilitate the collecting, evaluating, and disseminating agricultural information and service to those interested in the export of agricultural commodities.

We recommended that United States farm products be offered for sale in world markets without regard to destination whenever it will advance the welfare and freedoms of the people of the United States. A concerted effort is needed to get the facts concerning United States surplus agricultural commodities into proper focus in the eyes of foreign buyers. Buyers and traders of United States farm products must be protected from actual or threatened give-away programs.

Customers' ability to buy

Foreign customers must have the ability and continuous opportunity to earn dollars to buy United States agricultural and industrial products. Most developed countries have the ability, or could themselves develop the ability, to pay for increasing imports. Some underdeveloped countries need capital and technical assistance to expand their ability to buy increased imports. The United States should exert leadership to enlist the cooperation of other nations in providing credit and technical assistance to accelerate the expansion of world trade.

The United States Government should make clear that primary reliance must be placed on private investment to assist economic development abroad. It should be made clear that United States resources for public loans are limited and inadequate in relation to total needs, and that public lending is a poor substitute for private investment.

The United States Government can and should give full diplomatic support to the acceptance and understanding abroad of the principles underlying the creation of a climate conducive to private foreign investment.

Consideration should be given to the corporate tax rate on income from investments abroad and comparable treatment to individuals who invest abroad.

Technical assistance.—We favor the continuation and improvement of the technical-assistance program as an important part of our foreign policy. This program should be designed to offer friendly nations technical training and demonstrational services. It should not be another program for the extension of economic grant aid.

Technical assistance should be offered to underdeveloped countries to help them increase their production and purchasing power and thereby become participants in an expanding free world economy.

Greater emphasis should be given to the development of resources and industries, particularly those which complement the economies of other nations, instead of giving primary emphasis to agricultural development.

Substitute trade for aid.—We believe that economic aid on a grant basis seldom accomplishes its intended purpose, but instead tends to weaken our economy as well as that of the recipient, and often diminishes United States prestige abroad. Except in disasters, we recommend that monetary grants be replaced by loans which assure the opportunity to repay the United States in goods or services. These loans should be made through banking institutions on a sound basis with provisions to repay in goods which complement our economy, or in goods or services which would otherwise require United States dollar appropriations.

Sales for foreign currency.—The Secretary of Agriculture should authorize the sale and export of farm products through private trade channels, under limitations determined by him, in exchange for foreign currencies. These foreign currencies should be used by the Export-Import Bank as a revolving fund for expanding international trade and for short-term loans for economic development until their value can be returned to the United States in dollars, or materials complementary to the economy of the United States, or for payment of our obligations abroad. These foreign currencies should not be used to supplement foreign-aid programs in ways not authorized by Congress. The use of currencies should emphasize the building of continuous foreign markets on a sound basis.

We believe that a substantial part of the frozen assets of CCC can be converted into working assets needed to increase the ability of foreign countries to earn foreign exchange. We recommend that the authority to sell surpluses for foreign currency be expanded, so long as the currencies can be used for constructive purposes.

Reduction of trade barriers.—The stability of our trade policies, the level of tariffs, customs procedures, "Buy American" rules, policies on stockpiling strategic materials, and purchases abroad all affect the opportunity of customer nations to earn dollars. In order to increase and continue the opportunity for customer nations to earn dollars with which to pay for United States products, we recommend that the United States use its leadership to bring about realistic trade agreements and trade arrangements among free nations to reduce trade barriers progressively and to expand mutually advantageous private trade.

For this purpose the United States should:

(1) Extend the Reciprocal Trade Agreements Act for 4 years to authorize the President to negotiate trade agreements involving reduction of United States tariffs and import restrictions, with special emphasis on excessive industrial tariffs and on items with duties in excess of 25 percent ad valorem, in return for concessions from other countries with respect to tariffs, import quotas, exchange controls, and other trade barriers. We favor the continuation of the escape clause.

(2) Offer more stability in tariff rates and customs for reasonable periods in return for comparable reciprocal benefits.

(3) Require the President and Tariff Commission to take into consideration the national welfare and the international trade interests of the United States.

(4) Eliminate legislation and regulations which require "Buy American."

(5) Enact legislation to further revise and simplify United States customs laws, regulations, and procedures.

(6) Participate in international negotiations for reductions in trade barriers, to develop sound principles of international trade, to bring about the elimination

of unfair or discriminatory trade practices, and to develop measures of international cooperation for the expansion of trade.

(7) Insist that other nations live up to the spirit of their commitments under reciprocal trade agreements if they are to receive the concessions already made by the United States.

Stockpiling strategic materials.—High United States standards of living and military security both require increasing quantities of basic materials such as manganese and chromium. The United States is increasingly dependent on imports for these critical supplies. Many of the underdeveloped countries have vast reserves of these materials.

The United States should enter into long-term agreements to purchase basic materials to greatly expand our national security reserves. These security stockpiles should be isolated from normal domestic requirements and used only in case of a national emergency.

Such a program would not only contribute to the economic and political stability and purchasing power of friendly countries, but it would also further the security and economic welfare of the United States and contribute to expanding trade.

Increase tourists' allowance.—We recommend that the present customs regulations for American citizens reentering the country be changed to permit an exemption of $1,000 instead of the present $500 on goods purchased abroad for personal use.

Foreign military aid.—Foreign military aid should assist our allies to build up their own defense resources rather than to supply military goods produced in the United States. The dispersion of the vast expenditures for defense among cooperating nations will not only provide purchasing power in the hands of other nations but will also avoid undue concentration of defense production in the United States, which tends to unbalance our own economy and encourages allies to let us carry an increasing burden for the common defense.

Senator Scott (presiding). Thank you, Mr. Randolph. We have that in the record.

We will now hear from Mr. Baker of the Farmers Union.

STATEMENT OF JOHN A. BAKER, ASSISTANT TO THE PRESIDENT, NATIONAL FARMERS UNION

Mr. Baker. Mr. Chairman and gentlemen of the committee, for the record I am John A. Baker, assistant to the president, National Farmers Union, speaking for James G. Patton, national president.

I want to preface our statement by congratulating the committee for acquiring as a new member, the Senator from North Carolina, Mr. Scott.

Senator Scott. He is the best Senator you have got here right now.

Mr. Baker. We have known his work for many years and we know him to be a real friend of the working farmer.

I also want the record to show that.

We appreciate having this opportunity to discuss with you the promising potentialities of using our abundant cotton production to promote permanent peace. Properly used, the abundant cotton production of which America's family farms are efficiently capable of producing, could help generate an economic, social, and political revolution that would lead to such a vast upsurge in economic development and growth that poverty would become obsolete in the free world and war highly unlikely.

The restrictionist policies of the Eisenhower administration are requiring our domestic cotton price support program to carry the burden for the entire world. American cotton producers, under the Eisenhower sliding scale law, will be required to absorb the entire acreage reductions required by abundant supplies elsewhere in the

world, or see their own prices drop to the bottom of the sliding scale. Increased production of cotton in Brazil will mean an equivalent cut in cotton acreage, for example, in Mississippi and Arkansas and Oklahoma, if United States producers wish to keep their prices as high as 90 perecnt of parity.

As you know, Mr. Chairman, James Patton, president of National Farmers Union, has proposed establishment of a Democratic World Economic Union as an ultimate solution to such problems on an integrated and coordinated basis for all democratic nations. Short of that he has urged establishment of International Food and Raw Materials Reserve or Bank buttressed by individual international commodity agreements such as the International Wheat Agreement and the proposed International Cotton Agreement.

It was shortsighted and tragic we are convinced, that Assistant Secretary of Agriculture, John Davis, as United States Delegate, turned thumbs down for our Nation on the proposed International Cotton Agreement. That meant, Mr. Chairman, that relatively low income cotton farmers in your State of Mississippi and mine of Arkansas must pay the cost in reduced acreages for good cotton prices in Brazil, Egypt, and India without requiring those nations to cooperate in any way.

The Agricultural Trade Development and Assistance Act is an attempt to do unilaterally some of the jobs that the International Food and Raw Materials Reserve or Bank could do more effectively on a broader basis. Don't take me wrong. We think the act is basically a good one. It was adopted last, very largely in the form in which National Farmers Union first proposed it under the name "Foreign Farm Trading Post."

However, this act has several very body shortcomings, particularly in the form in which it is being interpreted and administered by the Eisenhower administration.

National Farmers Union convention in its 1954–55 program statement called for establishment of a United States Foreign Farm Trading Post to provide the machinery and authority greatly to augment exports of United States farm commodities through sale of such commodities for hard and soft currencies at or below competitive world prices, as fully as possible through regular trade channels, and through grants to relieve chronic poverty and other urgent relief needs, as far as possible through voluntary foreign relief agencies registered with Foreign Operations Administration.

We were gratified when Congress enacted this legislation last year. But we have been sorely impatient at the extreme slowness with which the administration has taken action to implement the act.

We are unhappy that practically nothing has been done to make use of the services of such voluntary private foreign relief organizations as CARE in carrying out title II of the act.

The small authorizations provided for in the act are but a drop in the bucket to what this Nation ought to be doing along this line. The authorization for sales for soft currency, under title I should be raised from $700 million in 3 years to at least $3 billion. The authorization for donations under title II would be raised from $300 million in 3 years to at least $1 billion. Even then we should be doing no more than one-fourth of what we ought to do to build the economies of the

democratic nations of the world, to use United States food and fiber to help turn back the tide of "stomach communism," to eliminate starvation, nakedness, and chronic poverty from the free world, and to establish the foundations for a lasting peace.

Our Nation should stand ready at all times to utilize American cotton that can be abundantly and efficiently produced with full regard for adequate conservation of our soil for the above purposes through donations where that is indicated as conducive to national aims listed above and through sales at and below the so-called competitive world price, accepting in return hard currency or soft currency, and buying strategic and other commodities we need from lesser developed nations at higher prices or prices equal to world prices. This would make good economic sense for the United States and the free world. More importantly it would make good sense, politically and in a humanitarian way.

The proposal listed in section 104 of the act for which soft currencies may be used should be expanded by adding the following:

> For loans and grants to aid in the establishment of universal free general and vocational schools in areas which are not now available.

Section 201 of the act should be clarified to make certain that elimination of chronic poverty in friendly nations is an approved purpose of the donations of abundant United States farm products authorized in title II. Aid in establishment of universal free general and vocational education should be included as a legitimate purpose of the donations under title II.

Under current conditions in many of the heavily populated but lesser developed nations, the governments of those nations cannot afford to establish schools nor the parents to allow their children to attend because the inefficiency of agricultural production is such that each child must work to grow his own sustenance and simple clothing. I have seen this with my own eyes, Mr. Chairman, as you have, in many nations now faced with the juggernaut imperialism of the Soviet system.

These countries cannot get off economic dead center unless something is done from outside to cut through the vicious Mathusian cycle of poverty. This function can be performed by abundantly produced United States cotton and other commodities, if we, as a Nation, have sense enough to use those commodies, among other ways, in aiding the establishment of general and vocational schools where United States commodities will pay for building construction, teachers' salaries, and provide food and clothing for the pupils and teachers while they are in school.

These aims are national in scope. They are vital to the expansion and preservation of democracy and ultimate attainment of a lasting peace. Admittedly they cost money. But it would be money well spent for the entire Nation.

Even the industrial magnates of America would benefit. Here is what Clarence Randall of Inland Steel and President Eisenhower's staff told his fellow industrialists at the Congress of American Industry meeting in New York City on December 3, 1954:

> Take the question of agricultural surpluses I think we have walked out on that for a long time—you remember the prosperity the farmer had shortly after the war? That prosperity was transferred to the agricultural implement com-

panies. Some of you here tonight wish we had that prosperity back. It was transferred to the steel companies from the implement companies. The farmer was buying every tractor and every piece of equipment he had heard of. The American farmer must export 12 percent of his products. What would happen to the businesses represented in this room if the farmer were cut back 12 percent? We would have hard work to get together for this meeting because it is from that 12 percent that the farmer buys our products.

Gentlemen, that was not uttered by James Patton, president of National Farmers Union, though it could have been. It was stated by Clarence Randall, president of Inland Steel.

Walter Reuther, president of CIO, could have truthfully said the same, pointing out how many of his members in farm implements and steel industries would be added to the already too large unemployed rolls.

Turning now to certain mechanics of the program, we understand that the Eisenhower administration is demanding an overstrict interpretation of an obscure provision in the act, which provision was added to the bill in conference at the insistence of the administration. We commend the committee for recommending the repeal of the requirement that any private trader or cooperative that wishes to sell for soft currencies under title I of the act are required to purchase from CCC the same quantity of commodities so sold. This restriction causes increased administration and bookeeping costs both for the Government and the exporter. It is totally unnecessary and just so much hokus-pokus, as devious in its lineage and as toothless in its economic effect, as the hideaway, slideaway aspects of the so-called cotton set-aside, under which, as Chairman Cooley of the House Agriculture Committee pointed out the other day, the Department of Agriculture is earmarking as set-aside, cotton that it does not even own. CCC owns only 1.8 million bales of cotton, yet 3 million bales are carried in department records as official set-aside according to testimony of President Eisenhower's Secretary of Agriculture.

This buy-back requirement was not a part of the trading post proposal of National Farmers Union. The increased costs of its administration are being used to run up the so-called losses of Commodity Credit Corporation.

Those augmented costs are being used as arguments against the price-support program.

Since, however, this faulty construction is the interpretation given to the provision by the law's administrators, the only cure is to repeal it. We, therefore, urge enactment of S. 752 as introduced by Senator Eastland.

That concludes my statement. I appreciate your courtesy in hearing us at this time. If there are any questions, we will be happy to answer them.

Senator Scott. Thank you.

Mr. Baker. Thank you, sir.

Senator Scott. Senator Eastland was very anxious to be here, but you understand he was on that committee that has to vote on Judge Harlan this morning and he wanted to be there and then get back here. So we will hear these other two this afternoon and we will adjourn at the present time. Suppose we meet back at 1:30. If there is no objection, we will recess at this time.

(At 11:20 a. m. the committee recessed until 1:30 p. m.)

AFTERNOON SESSION

Senator EASTLAND. The hearing will come to order.
Mr. Hohenberg, will you come forward, please, sir, and give your full name, please?

STATEMENT OF CHARLES M. HOHENBERG. PRESIDENT, AMERICAN COTTON SHIPPERS ASSOCIATION, SELMA, ALA.

Mr. HOHENBERG. Charles M. Hohenberg, of Selma, Ala.
Senator EASTLAND. You are president of the American Cotton Shippers Association?
Mr. HOHENBERG. That is right, sir.
Senator EASTLAND. Could I ask you some questions?
Mr. HOHENBERG. Senator, I don't believe—yes, sir.
Senator EASTLAND. Come on and sit down.
Now, Mr. White, your attorney, gave a statement and said that it was approved at a meeting of your board of directors in Memphis last Sunday. Were you present?
Mr. HOHENBERG. I was.
Senator EASTLAND. Please tell me who was present at the meeting.
Mr. HOHENBERG. There was present Mr. Hugo Dixon——
Senator EASTLAND. Where is he from?
Mr. HOHENBERG. He is from Memphis, Tenn. [Continuing:] Mr. A. Owen, from Dallas, Tex.; Mr. Sydnor Oden, from Houston, Tex.; Mr. Marvin Woolen, from Atlanta, Ga.; Mr. R. L. Cooper, from North Carolina—I was trying to think of the place—could I add that later—I cannot remember it right now?
Senator EASTLAND Yes, sir; that is all right.
Mr. HOHENBERG. Mr. J. L. Hurschler, from Pasadena, Calif. How many do I have there?
Senator HOLLAND. Six, besides yourself.
Mr. HOHENBERG. Yes, sir. I have a list of them. I can give them to you quite easily.
Mr. E. J. Cure.
Senator HOLLAND. Where is he from?
Mr. HOHENBERG. Batesville, Ark.
Mr. Allen Keese, from Helena, Ark.; Mr. M. L. Williams, from Elk City, Okla.; Mr. P. A. Bodet, Jr., from New Orleans, La.; Mr. E. W. Cook, from Memphis, Tenn.
Now, Mr. Cooper's address is Clayton, N. C.
We had two directors who were unable to attend the meeting. They were Mr. Churchill——
Senator EASTLAND. The statement that was prepared by your attorney, was that statement passed on in Memphis?
Mr. HOHENBERG. Senator, in essence it was, sir.
Senator EASTLAND. Just tell me how it was handled; was a statement of principles agreed on, is that it, then the statement was prepared by your lawyers?
Mr. HOHENBERG. That is correct, sir.
Senator EASTLAND. The statement that was read here was not approved by your board of directors; that written statement?
Mr. HOHENBERG. In principle, it was; yes, sir.

Senator EASTLAND. Well, I said, the statement itself was not presented?

Mr. HOHENBERG. That is correct, sir.

Senator EASTLAND. How many of those gentlemen—and understand, I congratulate people who build up a worldwide business and I am certainly not criticizing that—but I would like to know how many of those people are international cotton shippers.

Mr. HOHENBERG. Well, sir, I don't—what is your question, Senator—what do you mean by an international cotton shipper?

Senator EASTLAND. How many of them buy cotton in Latin America?

Mr. HOHENBERG. Well, sir, I frankly—I couldn't answer that question, sir.

Senator EASTLAND. Why?

Mr. HOHENBERG. Because I wouldn't know, on some of them.

Senator EASTLAND. How many do you know buy cotton in Latin America?

Mr. HOHENBERG. Well, I know of 5 or 6 directors that do.

Senator EASTLAND. Five or six directors?

Mr. HOHENBERG. Yes.

Senator EASTLAND. How many were present; 12 were present?

Mr. HOHENBERG. There were 11, I believe.

Senator EASTLAND. Eleven were present?

Senator HOLLAND. Eleven besides yourself?

Mr. HOHENBERG. That is right.

Senator EASTLAND. Twelve, then?

Mr. HOHENBERG. That is right, sir.

Senator EASTLAND. Of course, you do business in Latin America?

Mr. HOHENBERG. That is right, sir.

Senator EASTLAND. Well, now——

Mr. HOHENBERG. We do business in Mexico, sir.

Senator EASTLAND. Including yourself, how many had bought cotton in Latin America that you know of; would it be seven, including yourself?

Mr. HOHENBERG. Well, that I know of, Senator, I believe it is six.

Senator EASTLAND. Six, including yourself?

Mr. HOHENBERG. I believe that is right, sir.

Senator EASTLAND. That you know of?

Mr. HOHENBERG. I believe so.

Senator EASTLAND. The others you do not know?

Mr. HOHENBERG. Some of them I know do not, sir.

Senator EASTLAND. How many is it that you know do not?

Mr. HOHENBERG. I know that three do not, sir, that were present. You will excuse me for one moment, sir?

Senator EASTLAND. Yes, sure; go ahead.

Mr. HOHENBERG. Well, I know that three do not, sir, and I am not sure about—I am not sure at all about one—I don't know exactly what his business is.

Senator EASTLAND. Mr. Hohenberg, you are a very prominent man in the cotton business. I believe you are one of the greatest in this country. I believe you have a brother who is chairman of the foreign trade committee of the National Cotton Council?

Mr. HOHENBERG. That is right, sir.

Senator EASTLAND. He is your partner?

Mr. HOHENBERG. No, sir; he is the president of our company.

Senator EASTLAND. Yes, sir. It is a corporation?

Mr. HOHENBERG. That is right, sir.

Senator EASTLAND. I do not want to ask you any personal questions.

Mr. HOHENBERG. I will be delighted to answer anything.

Senator EASTLAND. If you do not desire to answer them, that is all right.

What is the extent of your business in Mexico?

Mr. HOHENBERG. I can answer it this way, sir; I believe easier—I am sorry, I don't have it financially—I gave it to you balewise; would that interest you, sir?

Senator EASTLAND. Any way you want to.

Mr. HOHENBERG. It is about one-fourth of our American business.

Senator EASTLAND. Yes, sir.

How many gins do you own in Latin America; do you own any?

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. How many do you own?

Mr. HOHENBERG. Six, I believe, sir.

Senator EASTLAND. Do you finance the production of cotton in Mexico?

Mr. HOHENBERG. To a certain extent, sir.

Senator EASTLAND. Would you care to tell us—you do not have to—the amount of cotton that you finance in that country?

Mr. HOHENBERG. Well, frankly, I would be delighted to tell you, Senator, but I do not know the answer. I will be glad to tell you the operations. I think that would interest you.

Senator EASTLAND. All right.

Did you recently load $4 million in 1 week down there, to produce that?

Mr. HOHENBERG. No, sir. I do not have that—that figure is not even close—I do not have those figures.

Senator EASTLAND. All right, sir. You would not mind supplying the figure?

Mr. HOHENBERG. Well, I am not sure about that, sir. I would have to—I would have to check with the firm on that.

Senator EASTLAND. Let me ask you this question——

Senator HOLLAND. I understood you to say that you were willing to state the operations.

Senator EASTLAND. That is all right. Sure, go ahead.

Mr. HOHENBERG. I will be glad to, sir.

In Mexico, I personally am not directly—my personal part of the business does not directly have anything to do with the operations of our Mexican business, but I am pretty well familiar with the overall operation, only in certain sections—well, I would not say that. I believe most of the gins do some financing, sir; it varies in amount. I do not believe that——

Senator EASTLAND. Mr. West, sit up here, please, sir. I am going to ask you some questions. Would you please sit up at the table. I want to ask you some questions in a minute.

Mr. HOHENBERG. I do not believe any of the financing amounts to much more, sir, than seed and fertilizer.

Senator EASTLAND. Now, why is it? Of course, you know my reason for asking you is this: American firms, of course, finance the produc-

tion of cotton in foreign countries, because it is profitable. What is that incentive? What is it that they have that is enabling them to expand their acreage that we do not have?

Mr. HOHENBERG. You mean—this is purely an opinion, as you know——

Senator EASTLAND. Well, but you are a good judge; are you not?

Mr. HOHENBERG. Thank you very much, sir.

Senator EASTLAND. My information is that you put out $4 million in 1 week down there.

Mr. HOHENBERG. Senator, would you repeat your question, please?

Senator EASTLAND. What is it that enables them to expand their production—what is the incentive for American firms to finance an expanding cotton industry in that country?

And I will ask you another question: What is it that they have that we do not have?

Mr. HOHENBERG. That is a mighty good question, sir. I was thinking, though. Well, sir, I think—I think it is several reasons.

Senator EASTLAND. What are they?

Mr. HOHENBERG. No. 1, I think it is—I think that it is a question of price, sir.

Senator EASTLAND. A question of price?

Mr. HOHENBERG. Yes, sir; for one thing.

Senator EASTLAND. What is the price differential between American cotton and Mexican cotton today?

Mr. HOHENBERG. Well, sir, they are about the same, sir.

Senator EASTLAND. About the same?

Mr. HOHENBERG. I had another reason.

Senator EASTLAND. All right; what is that?

Mr. HOHENBERG. I think, primarily—I think it is threefold. I think it is a question of price.

I think it is a question of availability of exchange. That may be entirely an oversimplification.

Senator EASTLAND. Go ahead.

Mr. HOHENBERG. I was not prepared for this at all but I am delighted to help you in any way I can.

Senator EASTLAND. I know you will. You have been very fair.

Mr. HOHENBERG. I think the third reason is that it is—well, it is just natural economic, it is a natural enlightenment—some enlightenment going on over the world, I believe that is it. I believe that is the third one.

Senator EASTLAND. What is that "some enlightenment going on over the world now"? What do you mean by that?

Mr. HOHENBERG. I do not believe I exactly made myself clear. I just believe it is a natural tendency that that kind of production will increase—cotton production will increase some.

Senator EASTLAND. Well, now, you do not believe that?

Mr. HOHENBERG. Yes, I do.

Senator EASTLAND. Why is it that you financed cotton—how much cotton production did you finance in this country?

Mr. HOHENBERG. Well, very little, if any, sir.

Senator EASTLAND. That is right. You do not finance cotton any, do you?

Mr. HOHENBERG. Very little. I cannot answer exactly.

Senator EASTLAND. Why is it that you finance it in that country; what is your reason for it?

Mr. HOHENBERG. Well, I think it is—it is a profitable operation.

Senator EASTLAND. That is right. You make money out of it?

Mr. HOHENBERG. We hope to—we do not know whether we will or not.

Senator EASTLAND. I hope you do.

What part does our support price program in the United States play in your calculations of the expansion in Mexico?

Mr. HOHENBERG. In our calculations?

Senator EASTLAND. Yes, sir. You are a businessman.

Mr. HOHENBERG. Well, just—I am thinking, sir—that is difficult to answer. I will say this——

Senator EASTLAND. No, it is not difficult to answer now, Mr. Hohenberg.

Does our 90 percent program—does it hold an umbrella over cotton production in Latin America?

Mr. HOHENBERG. It certainly does.

Senator EASTLAND. Why did you not say that?

Mr. HOHENBERG. I was thinking in a little bit more involved terms.

Senator EASTLAND. Well, now, go ahead and give it to us in more involved terms, then.

Mr. HOHENBERG. In other words, you want me to give you what I think is the answer to it?

Senator EASTLAND. Certainly I do.

Mr. HOHENBERG. To the situation?

Senator EASTLAND. Certainly I do.

Mr. HOHENBERG. I am delighted to do it. I may be wrong, and my views, I think, are parallel to those of our association—where they are not parallel——

Senator EASTLAND. I just want your personal views. Listen, we do not care for the views of your association, but we want your views now.

Senator HOLLAND. May I say something off the record?

Senator EASTLAND. Yes.

(Discussion off the record.)

Senator HOLLAND. We want to know what it is that is causing this heavy increase in production in Mexico and Brazil.

Mr. HOHENBERG. I appreciate that very much. I want to express myself with the view of possibly getting criticized.

I frankly think that the trade gave the answer a long time ago, sir. And I think that we can still reiterate those answers, that is, that our problem down to its simplest element—is this—I think we have pointed this out a long time ago, that is, it is a twofold problem: One is price. Now, I am talking about our percentage of the world market. I am not talking about the size of the world market. One is price.

And the other is availability of dollars.

Senator EASTLAND. Are Mexican sales in dollars?

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. So that does not enter into it.

Mr. HOHENBERG. Yes, sir, it does—maybe not in Mexico, but—well, we will say the total volume of it. Senator, I think that you have got to get down to basic facts, and that is that you cannot sell—you cannot, you are going on a residual supplier—I believe that is how you expressed it, sir, as long as——

Senator EASTLAND. As we hold the price above the world level; is that what you want to say?

Mr. HOHENBERG. No, sir. As long as the price that we establish is satisfactory, yes, sir, as long as we hold the price, the world price.

Senator EASTLAND. Above the world level?

Mr. HOHENBERG. I will say—well, sometimes it is a problem, sometimes it is not, so long as we stick to a rigid, fixed-price policy, regardless.

Senator EASTLAND. You mean in export trade?

Mr. HOHENBERG. I mean in export trade.

Senator EASTLAND. That is correct.

Well, that is when our prices are above the world trade, then you think we will be a residual supplier?

Mr. HOHENBERG. Well, that is a pretty——

Senator EASTLAND. Is not that what you said, sir?

Mr. HOHENBERG. I say this, sir: As long as we put—I would say, yes, sir, that was correct.

Senator EASTLAND. Of course it is correct.

Well, now, then why is it that your association has come here and opposed selling American cotton competitively?

Mr. HOHENBERG. Senator Eastland, we do not think that temporary measures are the answer to it.

Senator EASTLAND. It is going to take temporary measures to liquidate this 10 million bales carryover that we have.

Mr. HOHENBERG. Senator Eastland, we feel like that a permanent policy on cotton must be established—a permanent long-range policy must be established.

Senator EASTLAND. We are going to get to that—wait a minute—we are going to get to that, but first let us stay on a temporary measure to help liquidate these surpluses and get back cotton allotments in this country that hundreds of thousands of people can make a living out of and can live decently on. If we are not going to meet these foreign prices, how are we going to liquidate that surplus?

Mr. HOHENBERG. Well, sir, frankly, we think—now, this again, you understand, this is a thought—nobody knows the answer to these things. The trouble is they have been troubling us in the United States for a long, long time. It has troubled me as an American citizen. It has troubled you.

Senator EASTLAND. Answer my question. I know that. I want an answer. Repeat the question, please, sir.

(Question read.)

Mr. HOHENBERG. Senator, we think that—I am trying to get my thoughts away from the association—that is what I want.

Senator EASTLAND. All right.

Mr. HOHENBERG. We think that this surplus has a good chance of liquidating itself in a period of 2 years.

Senator EASTLAND. You mean by retaining these drastic acreage allotments by which people cannot make a living—is that what you mean? Answer my question. I want you to answer the question "yes" or "no," and then explain.

Do you mean now by retaining drastic acreage allotments, such as we have now?

Mr. HOHENBERG. Senator, we believe that they can be relaxed some, next year—some.

Senator EASTLAND. Answer my question.

Mr. HOHENBERG. Yes; we believe they can.

Senator EASTLAND. I know—wait a minute—I know what you said. I want my question answered "yes" or "no."

Is it the program to liquidate the surplus by these drastic allotments that we have now?

Mr. HOHENBERG. Is the program—in other words, do we believe that acreage restriction should not——

Senator EASTLAND. Mr. Hohenberg, now, listen—you know what I mean, sir. You said that the program would liquidate itself—the surplus would liquidate itself in 2 years.

Mr. HOHENBERG. No, sir. I said we hoped that it would.

Senator EASTLAND. All right; you hoped it would.

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. Then you mean by acreage controls——

Mr. HOHENBERG. Well, sir, frankly, I hope we can get away from acreage controls as quickly as we can.

Senator EASTLAND. I am going into that now. I want your program now for liquidating this surplus.

Mr. HOHENBERG. Senator, we do not have any program that we think will be effective.

Senator EASTLAND. What were you talking about when you said you hoped it would be liquidated in 2 years? You know the answer to that, sir.

Mr. HOHENBERG. We think—we think that—our projections indicate that the offtake this coming year, given normal growing conditions, that the offtake this coming year will exceed production.

Senator EASTLAND. Exceed production? Why? Because of the 18-million-acre allotment; is that it?

Mr. HOHENBERG. That is right. Yes.

Senator EASTLAND. Of course, what you say, then, by retaining these low allotments for 2 years, we will liquidate this surplus?

Mr. HOHENBERG. Senator, I am not advocating—I do not know—I am not advocating—I think that is something that the farm group—in other words, I am not advocating retaining these acreage controls after this year, sir. I am not personally advocating that. I just do not know what the answer is.

I think that is a question—well, I think that involves a lot more things, but, we think that as soon as we get on the base——

Senator EASTLAND. Doing away with price supports—is that what you want?

Mr. HOHENBERG. Not entirely, sir—not doing away with any protection for the farmers, sir, but doing away with artificialities which make the flexible control law operate as a rigid price support this year.

Senator YOUNG. Cotton is under that flexible price support program now, is it not?

Mr. HOHENBERG. Well, sir, it is under it, yes, sir, but there was a set-aside that made the law inoperable. Now we urge a reexamination—we urged a reexamination of the flexible price support system, Senator, to be sure that it would operate.

Senator YOUNG. How much flexibility would you want, 75 to 90, or 50 to 70 or what?

Mr. HOHENBERG. Senator, it is not a question of what I want, sir—I do not think. It is a question of what is best for the farmers of the United States.

Senator YOUNG. What do you think would be best then—what flexibility?

Mr. HOHENBERG. I will say this, sir, that in order not to—in order not to increase—in order not to go absolutely contrary to our foreign trade policy, not to go contrary to what I think is sound economics, I think that we are going to have to let supply and demand ultimately have its influence on the price of cotton.

Senator YOUNG. You mean then that whenever cotton gets up to 90 percent of a fair price or parity, whichever term you want to use, that we can no longer export? In order to export we will have to require that our farmers produce cotton or other commodities at a price lower than that?

Mr. HOHENBERG. I do not know that, Senator. I do not know—I do not think it will work exactly that way.

Senator YOUNG. According to your testimony I gather the impression that you do not think there is any hope for exports unless we provide cotton at a still cheaper price.

Senator EASTLAND. That is right.

Mr. HOHENBERG. Actually, I think, sir, that we have to let the market establish the price.

Senator YOUNG. Are not the costs of producing cotton, for example, in Mexico far less than they are here?

Mr. HOHENBERG. I would imagine they would be. I do not have those figures.

Senator YOUNG. Do you think the American farmer could compete with the Mexican farmer?

Mr. HOHENBERG. I think, sir, that if we are going to have our share of the world market that he is going to have to compete with him, eventually. I am not going to say that it will not be plenty of business for everybody. I think it is possible to make that, sir, where there is plenty of business for everybody, but I think that eventually he will have to compete with him in price.

Senator YOUNG. Is it not true that if the Latin American countries and other countries had all of our technical know-how, all of our financial assistance, and all of our machinery for producing cotton, with their cheaper wages, they can undersell us?

Mr. HOHENBERG. I am not sure that they can. I think we have—I think that we have not given our—I do not think that we have given free play to the American ingenuity of our farmers. I think that we can battle—I think it will mean that we can battle with the best of them, sir.

Senator YOUNG. We are producing too efficiently now, are we not—we are creating surpluses?

Mr. HOHENBERG. I would hate to think it was producing too efficiently, sir.

Senator YOUNG. You know that taxes are far higher in the United States than they are in Mexico or in Canada, in both countries. Labor is far cheaper in those countries. I think the fact is that the cost of production is far less. With your assistance and all of the know-how here in the United States—why could they not undersell us?

What reason would you give for saying that they could not?

Mr. HOHENBERG. I personally believe—now I say I do not have any way—you gentlemen are better determinants of that than I am, and agricultural sources.

Senator EASTLAND. You know what it costs to produce something when you turn your money loose down there, Mr. Hohenberg.

Mr. HOHENBERG. I think, sir, this is purely my opinion, I think that is another problem, sir—I mean, if the American farmer cannot produce it—Senator, I do not see how permanently—I would love to say that I did, but I do not see how permanently, Senator, we can share—we can share in export markets on a permanent basis.

Senator EASTLAND. Unless we are competitive?

Mr. HOHENBERG. Unless we are competitive. I just do not see how we can do it. I would like to be able to see how we can.

Senator EASTLAND. Why cannot we be competitive like wheat is made competitive?

Mr. HOHENBERG. Well.

Senator EASTLAND. You have two ways now, if you retain the support price of 90 percent, first is by subsidizing exports in some form. And the other is, well, if you are going to retain 90 percent supports by subsidizing exports, that is the only way, is it not?

Mr. HOHENBERG. Will you repeat that again, sir?

Senator EASTLAND. If we retain 90 percent support prices, the only way that we can compete when our prices are too high, because of the support price, is through some form of a subsidy, is it not?

Mr. HOHENBERG. I do not believe that we can effectively compete in the long run on the basis of subsidy.

Senator EASTLAND. Why?

Mr. HOHENBERG. Well, I think it creates problems. It creates problems, I think, sir, that a more direct approach to the situation would not create.

Senator EASTLAND. What are those problems, the direct approach. Now let us get this—let us see if we understand this. The direct approach is reduction in support prices, is that what you meant?

Mr. HOHENBERG. Well, working towards that.

Senator EASTLAND. What are the problems created?

Mr. HOHENBERG. Well, it creates the problem, number one, of demanding countervailing duties or some type of quotas on the textile imports, into this country.

Senator EASTLAND. That is, if prices get away out of line, of course, that is true.

Mr. HOHENBERG. Well, according to—it is approaching that point now, sir.

Senator EASTLAND. You take the international shippers, the mills take the same position in this thing. How long have we been competitive in price with Mexico,

Mr. HOHENBERG. Well, we have been pretty competitive all of this season, sir.

Senator EASTLAND. Is it just this season?

Mr. HOHENBERG. Well, of course, we got way below Mexico in 1950 prices.

Senator EASTLAND. That is right.

Mr. HOHENBERG. I would say 20 to 30 cents a pound.

Senator EASTLAND. But we had restrictions on exports then, too?

Mr. HOHENBERG. That is right.

Senator EASTLAND. That does not mean anything. How were we in 1951?

Mr. HOHENBERG. I believe, sir, that the Mexican prices were a little bit lower. They are about the same, I'd say.

Senator EASTLAND. How was it in 1952?

Mr. HOHENBERG. Well, the price of Mexican—the cotton could be sold at—the export surplus could be sold.

Senator EASTLAND. What was the difference in price?

Mr. HOHENBERG. I would estimate 50 to 100 points.

Senator EASTLAND. That is $2.50 to $5 a bale?

Mr. HOHENBERG. That is right, sir.

Senator EASTLAND. How were they in 1953?

Mr. HOHENBERG. About the same, I think. I am not certain of that. I would really—I think, Senator, my answer on that thing might be misleading. I do not have the figure.

Senator EASTLAND. What is your judgment about it?

Mr. HOHENBERG. They were close to the same price with the Mexican or somewhat under.

Senator EASTLAND. Somewhat under. The Mexican production was placed under ours so as to move her crop into export channels?

Mr. HOHENBERG. No, sir, it was not placed under it. In other words, it was not placed under it by any—it just moved under it, because they were determined to sell.

Senator EASTLAND. Well, sure.

Mr. HOHENBERG. I mean, it is just a normal thing.

Senator EASTLAND. I was not accusing you of placing it.

Mr. HOHENBERG. I understood that thoroughly. What I meant, there was no direct—no direct move by Mexico to export her cotton—a direct move.

Senator EASTLAND. In 1953 Brazil's prices were much lower than $2.50 to $5 a bale under ours. You mean the Mexicans did not compete with the Brazilians that year?

Mr. HOHENBERG. I do not think anybody could compete with them when they got ready to liquidate the crop.

Senator EASTLAND. How cheap did the Brazilians go?

Mr. HOHENBERG. I will just answer this way, sir: It got cheap enough to sell their surplus cotton over a period of about 1 year's time.

Senator EASTLAND. That is two crops then?

Mr. HOHENBERG. That is right, sir—about 2½, I believe.

Senator EASTLAND. We approved credits then that bailed out the bank down there that sustained those losses, did we not?

Mr. HOHENBERG. I could not answer that, sir.

Senator EASTLAND. Why yes, you can.

Mr. HOHENBERG. No, I cannot.

Senator EASTLAND. You know we loaned them $3 million, Mr. Hohenberg.

Mr. HOHENBERG. I cannot—I cannot answer what the purpose of that was.

Senator EASTLAND. I want your best judgment now. You live in the State of Alabama. The people have confidence in you. The farmers of that State have a tremendous stake in this problem. If we had at all times been competitive in price with the Mexicans what would that have had to do with the expansion of acreage in that country?

Mr. HOHENBERG. Well, I believe the expansion of acreage, sir, is a long-range thing.

I am glad you asked me that question.

Senator EASTLAND. All right.

Mr. HOHENBERG. I think it is a long-range proposition. And I think the surest way to retain our part of the market is to establish a policy and do it with the best brains of all of us and get a policy that we can stick to. I think that is the thing that we are going to have to do, sir.

Senator EASTLAND. I am talking about Mexico. I said if we had been competitive in prices since 1950 what effect would that have had on Mexico's expansion of the production?

Mr. HOHENBERG. This is an assumption, anything I say. I think the expansion in cotton production in Mexico is the expansion for demand for unavailable goods and was probably inevitable because it is a means of getting for a country like Mexico the needed other materials to develop the country.

Senator EASTLAND. Who financed that production down there?

Mr. HOHENBERG. Well, I do not think there has been any question of being financed.

Senator EASTLAND. Answer my question, who has financed it?

Mr. HOHENBERG. I would not be able to answer that question, sir.

Senator EASTLAND. Well, you financed part of it.

Mr. HOHENBERG. I do not think we have ever financed the development of that at all, or the development of a dam which is fundamental in the increase of those sections. I do not think we put one nickel or advocated, nor tried in any way to encourage it, sir.

Senator EASTLAND. All right. Who has made crop production loans to Mexico?

Mr. HOHENBERG. We have made some crop production loans.

Senator EASTLAND. Who else?

Mr. HOHENBERG. Well, I mean—what I would say—I imagine that there are worlds and worlds of other American firms.

Senator EASTLAND. Who? Let us name some of them. I want the record to show—Anderson-Clayton?

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. Volkart?

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. It is a Swiss firm, is it not?

Mr. HOHENBERG. That is right.

Senator EASTLAND. It is an American corporation owned in Switzerland?

Mr. HOHENBERG. I am not sure, sir. I cannot tell you.

Senator EASTLAND. Who else? Everet Cook?

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. That is Cook & Co. Now who else?

Mr. HOHENBERG. Hohenberg.

Senator EASTLAND. All right. Who else? You said Hohenberg.

Mr. HOHENBERG. I would say that there were—that handled cotton in—that handled cotton in——

Senator EASTLAND. No.

Mr. HOHENBERG. You mean financed in Mexico? I do not have any idea whether——

Senator EASTLAND. Made crop loans in Mexico.

Mr. HOHENBERG. I do not, other than my own firm. I cannot answer that. I thought you meant who operated in Mexico. Other than my own firm, I cannot say. Senator, other than my own firm, I cannot definitely say.

Senator EASTLAND. You cannot definitely say, I know, but then you know pretty well. Who do you understand has been making crop loans down there, Mr. Hohenberg?

Mr. HOHENBERG. Well, I understand Anderson-Clayton, ourselves.

Senator EASTLAND. Who else? Cook & Co.?

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. Who else?

Mr. HOHENBERG. I do not know, sir.

Senator EASTLAND. Volkart?

Mr. HOHENBERG. I do not know, sir.

Senator EASTLAND. What percent of their production would you figure is financed—your best information now—by American firms?

Mr. HOHENBERG. Senator, I could not answer that, but I would like to say this, sir, that in my opinion—I would like for this to go on the record—that in my opinion owning gins and financing the crop has nothing to do with the expansion of acreage in Mexico.

Senator EASTLAND. I know, but I want you to answer my question.

Mr. HOHENBERG. May I have the question again, sir?

Senator EASTLAND. Read him the question.

(The question was read.)

Mr. HOHENBERG. Mr. Senator, I would have no way of answering or approximating that, sir.

Senator EASTLAND. What is your best judgment?

Mr. HOHENBERG. I would not have any way to get that. I would like very much—I hope you know that I would.

Senator EASTLAND. Now, sir——

Mr. HOHENBERG. Anything I say, but I would have no way of estimating that.

Senator EASTLAND. You are not testifying now as president of the American Cotton Shippers Association.

Mr. HOHENBERG. I realize that, sir.

Senator EASTLAND. You are testifying as an American from the State of Alabama.

Mr. HOHENBERG. Yes, sir.

Senator EASTLAND. I want your personal views.

Mr. HOHENBERG. I cannot answer that, sir. I would love to. I am not qualified to answer that question. I would say that a substantial—that a good deal of it is, but I would not have any idea what the percentage is.

Senator EASTLAND. Suppose the American export price were slightly under the Mexican export price, what would that have to to do with the cotton production in Mexico?

Mr. HOHENBERG. I think—I think that the thing—it would have to do with it in that connection, whether it was a temporary measure or a long-range—a long-range projection—but I think it is much more difficult, Senator, I think it is very difficult to take these countries out of cotton production.

Senator EASTLAND. I understand. You are not going to take them out of production. I asked you if our price was just under the Mexi-

can price for a few years, what would that have to do with the cotton production in Mexico?

Mr. HOHENBERG. I think if we had a realistic price policy—this is my opinion——

Senator EASTLAND. I am not—wait a minute—maybe we can agree on what is realistic. I said if our price was slightly under the Mexican price for a period of years what effect would that have on cotton production in Mexico?

Mr. HOHENBERG. Senator, the cotton production in Mexico and most other countries outside of the United States is different than it is in the United States, in my opinion, sir. I do not think that you can—I do not think that a short-range projection—I do not think that a short-range projection as to acreage is as influential as some people might think it is.

Senator EASTLAND. In other words, you do not think if our price for 5 or 10 years was under the Mexican price that it would have anything at all to do with the cotton production in that country?

Mr. HOHENBERG. I think if Mexico could be sure that our price was going to be for 5 or 10 years under their price, in other words, if they had to carry every bale of cotton that they made over and above what they needed domestically, I think it really would discourage them. I think it would do more than discourage them; I think it would put them out of business. I do not know how to arrive at that.

Senator EASTLAND. Now, you spoke of the long-range program and I told you that we were going to get back to that. Of course, any long-range program has got to be based upon a competitive price and trade; has it not?

Mr. HOHENBERG. I think that it has; yes, sir.

Senator EASTLAND. And exchange of commodities, and there you get into the field of trade barriers; is that right?

Mr. HOHENBERG. That is exactly right, sir. You get into this field, sir. I think you get into the question of trade barriers, but I think we can do an export business if our velocity in foreign trade remains like it is.

Senator EASTLAND. What is the difference in what you make in your profits on a bale of cotton—is it much greater—do you make much more money on the cotton you buy in Mexico than that which you buy in this country?

Mr. HOHENBERG. I cannot understand that. I would say—I cannot answer that, sir.

Senator EASTLAND. You cannot answer that question?

Mr. HOHENBERG. I sure can't. I think that in the last few years our profits have been greater than in the United States.

Senator EASTLAND. Of course.

Mr. HOHENBERG. I understand that is not true with many.

Senator EASTLAND. Do you want to ask some questions, Senator Holland?

Senator HOLLAND. Mr. Hohenberg, does your organization, the American Cotton Shippers Association, have as members practically all of the organizations which are shippers in cotton in exports from the United States?

Mr. HOHENBERG. With the exception of cooperative organizations. John, do you have that answer?

Most of the export, the most of the cotton.

Senator HOLLAND. What percentage of the export trade of the American cotton would you say that your organization handles, 90 percent, 80 percent?

Mr. HOHENBERG. I would say that our organization probably handles with the exception of the cooperatives about 90 percent.

Senator HOLLAND. You you think about 90 percent overall?

Mr. HOHENBERG. About 90 percent of the entire exports.

Senator HOLLAND. Then your membership does comprise substantially the shipping trade of the United States that is engaged in handling American cotton in international commerce?

Mr. HOHENBERG. I believe that is right, sir.

Senator HOLLAND. And the men you have named as your directors are among the leaders of the export businesses that handle American cotton?

Mr. HOHENBERG. Our directors?

Senator HOLLAND. Yes, sir.

Mr. HOHENBERG. Some are and some are not, sir.

Senator HOLLAND. For instance, which one of the directors that you named represents the Anderson Clayton Co.?

Mr. HOHENBERG. Well, there are 2 directors—2 of our directors are with Anderson Clayton.

Senator HOLLAND. Who are they, please?

Mr. HOHENBERG. Mr. Oden and Mr. Wollen.

Senator HOLLAND. No doubt, estimable gentlemen and I am simply wanting the record to point out——

Mr. HOHENBERG. Surely.

Senator HOLLAND. That these large exporters of American cotton are members of your organization.

Mr. HOHENBERG. Yes, sir.

Senator HOLLAND. You have already indicated that in your recollection of the firms which were represented by directors who were present at the meeting the other day in Memphis, six are engaged in the handling of Mexican cotton.

Mr. HOHENBERG. Yes, sir.

Senator HOLLAND. In your own case you stated that your firm, as I understood it, has six gins in the Mexican cotton area?

Mr. HOHENBERG. I believe that is right.

Senator HOLLAND. And has engaged in considerable financing which generally is limited to the furnishing of seed and fertilizer.

Mr. HOHENBERG. I believe that is right, sir. I am not directly connected with the Mexican operations, but I think that is right.

Senator HOLLAND. Are you able to give us the approximate annual figure of your own firm's business in the financing of production of Mexican cotton?

Mr. HOHENBERG. No, sir, I cannot do that, but I will tell you——

Senator HOLLAND. Will you explain that for the record?

Mr. HOHENBERG. For the committee's own use.

Senator HOLLAND. Yes, if there is any objection to your doing so, we will drop the question.

Senator EASTLAND. If he objects, I do not think he ought to give it.

Mr. HOHENBERG. I will have to refer that to my company.

Senator HOLLAND. If it is a competitive proposition——

Mr. WHITE. It is competitive.

Mr. HOHENBERG. That is the reason I say that.

Senator HOLLAND. I want to make it very clear that I do not want to put you in an unfair position competitively.

Mr. HOHENBERG. That is the reason I would have to refer it to my firm. You understand that—that is purely my objection. You understand that?

Senator EASTLAND. Yes, I understand that.

Senator HOLLAND. We are trying to illuminate this problem.

Mr. HOHENBERG. I know that, sir.

Senator HOLLAND. And we have every reason to believe that you would like to have it illuminated just as much as anybody else in the country.

Well now, you have testified with reference to the Mexican production.

Was your firm interested in Brazilian production?

Mr. HOHENBERG. We have a small purely listening post in Brazil. We do no Brazilian business. I mean, it is inconsequential.

Senator HOLLAND. You do not have any gins?

Mr. HOHENBERG. No, sir.

Senator HOLLAND. You do not make advancements for production?

Mr. HOHENBERG. No.

Senator HOLLAND. Do you own any acreage in Mexico or own or lease any acreage on which you yourselves produce cotton?

Mr. HOHENBERG. No, sir, I do not believe we do, sir.

Senator HOLLAND. I think I understood your comment with reference to the future of the cotton producers of this Nation which in general was that in order to stay in business, insofar as the international trade was concerned, it would have to be competitive. That was the substance of your testimony, was it not, that they would have to sell in competition with the prices of cotton produced elsewhere, which is sold in the world market?

Mr. HOHENBERG. I meant to indicate, sir, that we would be the residual supplier, unless we were competitive.

Senator HOLLAND. Which would mean then that our price would always either equal the world price or would be greater?

Mr. HOHENBERG. No, sir, not necessarily.

Very often—we have not been—very often for many qualities of cotton we have been cheaper than the world price. We have been this year.

Senator EASTLAND. What you meant was that we would participate in the export market after other countries had sold their stocks?

Mr. HOHENBERG. That is an oversimplification.

Senator EASTLAND. That is what you mean by residual supplier?

Mr. HOHENBERG. Yes.

Senator HOLLAND. Do you have a solution? There are a whole lot of people working on this who have different ideas about what is a solution. What, as an American citizen, do you think would be the solution of this problem which would allow the American cotton producer a sound and continuing place in the production of cotton on a basis of the volume of cotton of no less than now produced and continuing to grow as world demand would grow?

Mr. HOHENBERG. I believe with things happening that none of us want to happen—aside from that—that we can all get together and chart the right course to where we can produce more cotton than we produce today. I think that in other words, there is great possibility

of expanding markets for cotton—tremendous possibilities for expanding the consumption of cotton. But in doing that—this may be an oversimplification, and Mr. West and some others may differ—in doing that we have a problem other than price. Number one, and this is purely my opinion—I do not even claim to be an expert—we have got to show a definite direction and stability in trend.

I think we have got to show a definite stability in trend.

I say that this way, sir. I spent 2½ months for the Association in Europe this summer and I think that for the first time some of our greatest salesmen, who are foreign consumers, are rather disturbed about the fact that cotton had not been able to project anything in the future based on economics. They were disturbed about projecting a sales campaign because they were afraid of getting a lot of money tied up and afraid that the United States, who more or less established the price of cotton—changing price policy might upset it. Do you understand this? It might upset—might upset the situation.

I think the greatest thing we can do, sir—I think we have to tackle this problem from two places.

All of us have got to get together to evolve a real program for the United States for cotton.

I think that this hearing is one of the finest things I know of to develop it.

Senator HOLLAND. I understand that you think that.

What I am trying to do—and hope to do—is to get some suggestion as to what you think that suggestion should be.

Mr. HOHENBERG. Our Association thinks this, sir.

Senator EASTLAND. We want your opinion—wait a minute.

Mr. HOHENBERG. My opinion is exactly the parallel of that of the association.

Senator EASTLAND. All right.

Mr. HOHENBERG. That is No. 1—that we have got to reexamine a flexible price support law to be sure that it really flexes.

Do I make myself clear on that?

Senator HOLLAND. You understand, do you not, that the flexible price support law provides for 90 percent price support, if the supplies are held down not to exceed a reasonable carryover at the end of each year. The flexible price support law is not directed at decreasing the price support structure unless the production gets out of hand and the carryover is too large. You understand that, do you not?

Mr. HOHENBERG. Yes.

Senator HOLLAND. With that understanding, restate what you said.

Mr. HOHENBERG. What I meant, sir, in other words, I think that we have in reality, to allow the law of supply and demand to determine down to lower levels the price on cotton.

Senator HOLLAND. The question I am going to ask you now is a very ticklish one and it is one that causes concern in the part of the country where you and I live more I think than any other one question.

Having in mind your statement that the law of supply and demand must be ultimately allowed to function, where does that leave the marginal areas, mostly in the Southeast, in the traditional cotton area, that produces, let us say, not to exceed a bale and some a good deal less than that per acre—where does that leave them in the permanent picture as contrasted with the irrigated areas of new production which can produce two and three bales per acre?

Is there any future left for this marginal land in the cotton industry?

Mr. HOHENBERG I cannot answer that 100 percent. I believe that we have some very efficient producers of cotton in the Southeast.

Senator HOLLAND. We have got some very fine land for the production of cotton, but then you and I both know that we have some marginal lands, also.

Mr. HOHENBERG. That is right.

Senator HOLLAND. Which are traditional cotton production lands. Where in the future of the cotton industry as you see it now is there a place left——

Mr. HOHENBERG. Well, I think——

Senator HOLLAND (continuing). For those marginal lands?

Mr. HOHENBERG. That you, gentlemen, have to decide what the policy is going to be.

Senator HOLLAND. Is that not one of the most serious problems in the whole situation?

Mr. HOHENBERG. That is a tremendously serious problem. May I state what I see as the alternative?

Senator HOLLAND. I wish you would. It is to me the most drastic problem.

Mr. HOHENBERG. I think it is.

Senator HOLLAND. It involves not only the abandonment of a certain amount of land, it means the abandonment of homes by some thousands of people who have lived in those homes for generations.

Mr. HOHENBERG. That is right, sir.

Senator HOLLAND. Who traditionally have a cash crop, which is this crop but which they can not produce in any large amount per acre by modern-day standards.

Mr. HOHENBERG. I think it is a problem that all of us, you, I and everybody have ducked for a long time, the realism of it.

Senator HOLLAND. It is the realism of the problem.

Mr. HOHENBERG. I think we have all avoided that problem, and I think it is to a point where we cannot——

Senator HOLLAND. We are not avoiding it now—I am just inviting you to make any comments that you think are fair as to where we are headed in connection with that problem.

Mr. HOHENBERG. I think that you gentlemen have to decide between two ways for the marginal producer.

I think that he will have to be aided separately from the price structure, or I think we will just have to go and face the economic fact in the thing. I mean, if that cannot be done, I do not see any other alternative than to let him try to produce against the market.

I have an idea that the single, that the small producer, under certain circumstances can be a very efficient producer. Not all of them, however.

Senator EASTLAND. Some of them produce cotton cheaper than anybody, do they not?

Mr. HOHENBERG. I am not an expert on that, sir, but I believe that is right.

Senator EASTLAND. I think that is right.

Senator HOLLAND. Certainly. It is the most essential problem in this whole cotton puzzle picture that we have to confront, is it not?

Mr. HOHENBERG. That is right.

Senator HOLLAND. So I see no reason for ducking it. We might as well mention it in the record.

Mr. HOHENBERG. Yes.

Senator HOLLAND. Certainly, it is serious in my State although we produce not a great deal of cotton, because unfortunately much of that which we do produce is on lands that cannot begin to produce, for instance, in competition with the delta lands in Mississippi or with the irrigated lands of the West.

Do you have any further suggestions to make on that phase or any other phase of the problem?

Mr. HOHENBERG. Well, I would like to state one thing, sir, that the members of our association and Hohenberg personally are as interested in the solution of this problem as any group. I mean, we would like and hope—I mean this is speaking for me personally, I would like and hope that the vast majority of our business would be business in the United States. I would like it better than anything else.

It is a difficult problem. It is a tremendous problem, but I believe that we have got a chance to participate in a great expansion of fiber consumption. I just think that we have got to establish the right long-range policy to get this. I will tell you what else.

Senator EASTLAND. You think that is primarily price?

Mr. HOHENBERG. Senator, I am not sure of that, in other words, I think price is relative. Do I make myself clear? I say that we have got to level our prices to be freely accentuated to world price.

I do not say that you have got to have a reduction in price necessarily. Frankly, I think that it will probably come. That will bring up other problems that you gentlemen and all of us will have to meet. There is not any doubt about it.

The problem that you posed there, sir, I feel like that if this problem is handled best that cotton has a great future to it. I think that cotton in the United States has a great future.

What I started to say, sir, was that we are working—our association and the committees of our association are working on this problem. We hope to get you a very constructive report that comes out of our convention about the first of May.

Senator HOLLAND. We will welcome it.

I want to go to one more subject, if you are familiar with it. Are you familiar with the handling of the extra long staple cotton?

Mr. HOHENBERG. Not very intimately; no, sir.

Senator HOLLAND. Well, you know, of course, that when we were working on the bill last year, which brought about the adoption of the flexible price support approach that the organizations representing the producers of the short staple cotton, in the main, wanted to cling to the rigid 90 percent price support structure.

Mr. HOHENBERG. Yes.

Senator HOLLAND. Whereas those producing the extra long staple cotton wanted to go to exactly the opposite extreme of having the price support as low as it could be in the picture.

Have you any observations to make on the difference between those two approaches, which were contrasting, as they came to our committee?

Mr. HOHENBERG. Our firm handles no extra long staple, sir. I do not believe I am competent to answer that, sir.

Senator HOLLAND. Would it be fair to say that the people who produce the long staple cotton have been right up against the world market picture in a more definite way, calling their attention to the fact that that has to be met, than the short staple people have, up to this time?

Mr. HOHENBERG. I cannot answer that. I will ask the advice of some of my friends.

Senator EASTLAND. Identify yourself for the record.

STATEMENT OF SID Y. WEST, S. Y. WEST & CO., MEMPHIS, TENN.

Mr. WEST. I am Sid Y. West, from Memphis, Tenn. I am a member of the American Shippers Association and, along with Mr. Hohenberg, on two very important committees that Mr. Hohenberg appointed me to.

Senator HOLLAND. And the members of this association are highly competitive with each other, are they not?

Mr. WEST. I do not know how many members we have got, but we have as many opinions probably as members, sir.

Senator HOLLAND. And the competition for business is equally keen, is it not?

Mr. WEST. My colleague talked about it. Five points will get the business.

Senator HOLLAND. All right.

Senator EASTLAND. And 5 points is 25 cents?

Mr. WEST. Twenty-five cents a bale. He can sell all of it in the United States if he can beat the rest of us 25 cents a bale. I could not. I am not good enough. Mr. Hohenberg could.

We do not handle any of that cotton either, but I think what happened is this: even in spite of tariff difficulties and quota difficulties for the people who have to have longer cotton for certain uses, thread, and other uses, there is no market for that cotton at 90 percent of parity; at 75 percent of parity they hoped that would give them a market. They were putting themselves out of business at that price. Maybe they can make money at the lower price. I do not know.

Senator HOLLAND. Was it not a fact that they were getting out of business as the result of price, that they were only a minor factor in the world trade, which was supplied mostly outside of the United States?

Mr. WEST. Yes.

Senator HOLLAND. They have been up against the world market requirements in a very much more definite way than the short staple cotton?

Mr. WEST. I think they had learned more economical ways to produce that longer cotton over the years, too.

Thank you, sir.

Senator EASTLAND. Senator Scott.

Senator SCOTT. No questions.

Senator HOLLAND. I hope Senator Scott will ask questions, because he is a very practical man of long experience, and comes from a very large cotton-producing State. We are trying to get to the facts in this very difficult question.

I know he can make some real contribution here if he will.

Senator SCOTT. I do not know that I can make any contributions. I would like to ask some aggravating questions.

Senator EASTLAND. I wish you would.

Mr. WEST. Mr. Hohenberg is used to those, if I may interrupt.

Senator SCOTT. All I can throw out here is that it seems to me from what we have already known in the past and what we have gotten that has been brought out here today is this:

The thing that concerns us in North Carolina are these little people, and they are in your State of Alabama, too.

Mr. HOHENBERG. That is true.

Senator SCOTT. The same thing would be true over in Georgia. You have some such folks.

And I do not care what the price is; they still could not make a living. Part of that is due to mental capacity, and a part of it is for other reasons.

What is society going to do with that man? You just cannot eliminate him. You have him with you to the end of time.

You cannot create any situation in which all human beings will take care of themselves. At least, I do not think you can.

I have been watching other programs developing around here on the Hill. We are saying that we are going to cut out school-lunch programs, or that we are going to pull them down. Right at that point, let me say that is the only way that some of those folks get a meal a day.

We have an abundance of everything. I am not saying at this point not to help somebody in some other parts of the world with some surplus that we have got, by giving it away, but I am saying that if we have children growing up here in that half-starved condition, we do not need to have many competing too much with the fellow who can make a go of it, if he has the initiative to go, by making him pull his total prices down to where he cannot live.

I know that you cannot take this land and do other things with it. I know they are doing a lot of it in Georgia and in Alabama. I have been down through there. They are putting that land back into pines, or something like that. That is fine, but a man who has only a few acres of land and puts it into pine, he will not harvest for 15 or 20 years, and you are eliminating him. He will not get anything to eat.

Mr. HOHENBERG. I know that.

Senator SCOTT. This whole program, I think, Senator Holland, has to be approached partly from the social side of it as to what will take care of that man. I think we ought to be very careful. I think the administration needs to be more careful on it than they are.

I think those other programs that can help that man are ones that we have to bring out.

That comes to the point of your soil-conservation payments. On some of these farms, if you give them help, they will get out of that situation, but if you do not give them soil-conservation payments, because the man is not complying with all of the rest of the Federal programs, I think that we are wrong there. I definitely think so, because any time any man will build up a piece of land—I do not care where it is—if he builds up the land, the whole country benefits from it. You have land that will produce in dire emergencies then. You will never get wealthy on poor soil.

You can just watch the history of communities that come and go as the soil depreciates. Your communities vanish.

We have a much broader program with these marginal people that we are so concerned about. They have to stay somewhere.

If you perish this man out, why, the son or the daughter who live in Boston or Philadelphia or up in Richmond, or anywhere else, and they will send to get them and have them come up, and you will build slums as fast as you tear them down, and will be building bigger ones.

You do not get anywhere in slum clearance running people out of the country. You build them right back, because we live in a cheaper house. We never have had too good houses. We can live in cheaper houses than anybody else can.

If he does not do that, he can live in that cheap house that he is already in, and that is his home.

I think we have to plan to keep that man right there.

I do not know about this. There are so many ramifications. I think that we are curtailing some things that we ought not to. I do not like to use the word "welfare."

Senator Eastland. I agree with you.

Senator Scott. I think that we have to take care of them. If we are going to take care of our people—and that is a word, or words, that we do not like to use, either—that we should do something. The American way is to let a man take care of himself. We cannot do that under the economy we have at the present time. We would like to do it that way, but it would not work that way.

Senator Holland. The implications of this problem are tremendous, and they are a great deal more than trade implications.

Senator Scott. Yes, sir, they are far greater.

I wish that I could make some contribution. I can aggravate the situation, but I cannot do anything about it.

Senator Eastland. Mr. West, what has been your former connection with the American Cotton Shippers Association?

Mr. West. I was one of its founders and its third or fourth president.

Senator Eastland. Yes, sir.

What offices have you held in the National Cotton Council?

Mr. West. I have for a great many years been a director in that organization and am now.

I was for a great many years, during the years of the war and up until the January meeting in 1952, the chairman of their Foreign Trade Committee, and in about that time Mrs. West resigned me from that job.

Senator Eastland. Would you comment for us on Mr. Hohenberg's testimony and give us your ideas?

Mr. West. I will be very glad to comment, Senator.

There is one major difference between Mr. Hohenberg's approach, as I have understood it prior to today and partially now it is still there on the long-range program and the immediate program.

We differ in the immediate program, in that I am convinced that we need to do something 6 months ago, yesterday, today, not later than tomorrow, to discourage the increased production of cotton in outside lands.

Mr. Hohenberg does not think that is possible. I disagree.

Mr. Hohenberg and his firm have the reputation for sagacity, success in the cotton trade, and nobody has any better. They foresaw the situation and wisely went into handling exotics in Mexico.

Senator EASTLAND. And that is foreign growth?

Mr. WEST. That means foreign growth. I am sorry if I get technical. I did not understand it myself for a long number of years.

We handle just American-grown cotton in my firm, the kind of cotton that our little firm is able to sell abroad, after the foreigner has sold his. And then we have a quality that is not available somewhere else, or the quality that we sell is not available somewhere else in the beginning of the season.

Mr. Hohenberg stated, I believe, that the prices were practically competitive. Well, I do not know exactly what that word "practically" competitive means, but cotton that is practically of the same quality, that is, cotton that is from our country, that can be bought for one-half a cent cheaper is a long ways from being practically competitive, in my book.

I cannot outsell him by one-half a cent, and he cannot, me, unless we offer some other inducement in the way of credits, et cetera.

And when we look over the statement of prices in the newspaper, that Turkey is higher than America—Turkey owes a lot of money to many, many nations, and I understand that the French Government has paid quite a premium for Turkish cotton to liquidate some of the debt that the Turks owe the French.

I am getting a long ways off of what you asked me to comment on.

There is the statement that to meet competitively the world price, and maybe cheapen it, will do no good in discouraging foreign competition or production. I have heard that for several years.

During the last 2 years we have been forced to reduce the acreage twice—about 25 percent in last year and about 15 percent this year.

In the past 4 or 5 years the outsiders have increased their production by over 4 million bales.

Mr. Hohenberg has made a wonderful statement to the questions you asked him, in my opinion. I think they are quite truthful. When he told you he did not know, he was not evading your question. He does not. He is in the domestic end of Hohenberg Bros., and has been handling, so far as we know, only the western part of the United States, and he is not in Mexico.

I want to compliment you, sir, on the way you answered those questions, and how you ducked telling them how many dollars you lent down there. Your competitors would like to have that information. There is no way to keep that information from getting put out here.

If there are any questions that you would like to ask me or any further comment that I can make on Mr. Hohenberg's testimony, I will be very glad to do so.

Senator EASTLAND. We had an export subsidy in the late forties. How did it work, Mr. West?

Mr. WEST. I remember you were the man who introduced the bill. I was the chairman of the foreign trade committee of the National Cotton Council at that time and we worked to help put it in. I think it worked fine.

Senator EASTLAND. Did it export much cotton?

Mr. WEST. A good deal more than we would have exported otherwise.

Senator EASTLAND. What do you think if we were made competitive in the export field—do you think it would help our exports appreciably, that it would increase them appreciably?

Mr. WEST. If you remained competitive; yes, sir. If you just put on a fixed subsidy for the foreign producer to shoot at——

Senator EASTLAND. To shoot under?

Mr. WEST. That is right; he will shoot under, and he will get his cotton sold.

You have seven commodities that this Government is now meeting foreign competition on.

Senator EASTLAND. What are they?

Mr. WEST. Wheat is one of them. And cottonseed oil is another. I do not know the other five offhand.

Senator EASTLAND. Are there any more questions from Mr. Hohenberg?

Mr. WEST. He did not expect to be here this long. Go ahead, if you have any questions.

Mr. HOHENBERG. I had an appointment at 3 o'clock. I do not mind being late a little bit.

Could I see if there are any more questions, and then be excused?

Senator EASTLAND. I have no further questions.

Senator SCOTT. No.

Senator HOLLAND. I have none.

Senator EASTLAND. We appreciate your being here.

Mr. HOHENBERG. Thank you very much.

I just want to tell you that you will be given the benefit of our best efforts in the association to arrive at a solution to this problem.

I might tell you that our questions have to be, of necessity, decided by our directors in the interim period—that every stand that our membership takes on any problem is decided by the vote of the membership at our annual convention, sir.

Mr. WEST. I think you take exactly the position that was indicated by the antisubsidy activity, that is in the resolution that was passed 2 or 3 years ago. I think your statement is right in line with that policy.

Senator EASTLAND. Conditions have changed since then, have they not?

Mr. HOHENBERG. Yes, sir. That was the year before last. In other words, if I may sum up, sir, this stand was restated by unanimous vote of our directors. They voted against direct-export subsidies.

Senator HOLLAND. Direct what?

Mr. HOHENBERG. Direct-export subsidies.

Senator EASTLAND. Or any kind of two-price system?

Mr. HOHENBERG. That is right, sir. By two-price, meaning one price for export and another for domestic.

Senator EASTLAND. I understand.

Senator HOLLAND. In order that we may get this more clearly, do I understand from your statement that you do favor the subsidy system?

Mr. WEST. No; I favor meeting foreign competition. Subsidy is a horrible word in international trade.

Senator HOLLAND. How do you propose to meet foreign competition?

Mr. West. By offering cotton at competitive bid prices or at the world price. The world price would be made by competition, sir.

Senator Holland. How could you do that under our present production system, unless there be a subsidy?

Mr. West. The Secretary of Agriculture has been paying a subsidy on a bushel of wheat—several hundred millions, for several years.

Senator Holland. That has been a subsidy under the International Wheat Agreement. You mean that you would like to have some device which would not be called a subsidy, but would be similar to what is paid in the case of wheat under the International Wheat Agreement?

Mr. West. Yes.

Senator Eastland. There are a lot of wheat sales outside of the International Wheat Agreement.

Senator Holland. Are you not talking about the International Wheat Agreement?

Mr. West. I am talking about the amount of money, whether it is sold under the International Wheat Agreement or how, that has been spent to export wheat. The same thing has been done in cottonseed and oil during the past year. There is a big surplus of cottonseed oil, or was, a year ago, and is now down to about normal.

Senator Eastland. In fact, by selling the Commodity Credit Corporation cottonseed oil at the world price, they have liquidated their stocks?

Mr. West. That is correct.

Senator Eastland. That is for export?

Mr. West. Yes.

Senator Holland. Let us explore that. Do you think that the part that the cotton industry can play in international trade, that is, in the international cotton trade in the world market, must be done through the use of Commodity Credit Corporation stocks?

Mr. West. That is right.

Senator Holland. And by selling those stocks at as much less than the support price as required to met the world price?

Mr. West. That is correct.

Senator Holland. And that would mean carrying at public expense the difference between those two prices, the support price and the world price?

Mr. West. That is right.

On the other side of the ledger you have the terrific cost of millions of dollars a month which you are paying now to carry that cotton.

Senator Holland. You do not speak of that as a subsidy?

Mr. West. No. That is just meeting competition.

Senator Holland. That would be a case where I would say a very good distinction. but not a very great difference.

Mr. West. I agree with you.

Senator Holland. There is one more thing I would like to ask you about. I heard with interest your statement that you thought we had to devise some way to slow down the great increase of production in other countries by use of American capital and know-how. We have talked about Mexico and Brazil in particular, I believe.

How would you suggest that that be done?

Mr. West. To meet the world competitive price and let them know that that is going to happen, and then people who take the hazard of investing in a strange place, with uncertain legal action, if any, generally get the worst of it. So it would not look so attractive for them to go in there, so that the world will be satisfied that this country is going to sell its cotton at a competitive price, whatever that price may be.

Senator Eastland. In fact, that would prevent price-cutting operations by other countries, would it not?

Mr. West. Sure. He stops once he knows that there is not any use in selling his apples at $6\frac{1}{2}$ while you are asking 7, for you will be selling for $6\frac{1}{4}$ tomorrow morning. I do not know what price you will get; you will meet one where he will quit it.

Senator Holland. By removing the inducement to increased foreign production through the meeting of world competitive prices along the lines you have mentioned a while ago—and I want to show this in the record—you did not have in mind any special tax structure or any other kind of device by which the investment of the American money in these foreign productive fields would be discouraged?

Mr. West. I think that the suggestion I made would be a sufficient statement.

Senator Holland. That was the one you had in mind?

Mr. West. That is right.

Senator Eastland. Is it true that the thing that has built it up has been the fact that we have held an umbrella over the world cotton price?

Mr. West. Undoubtedly, Senator.

Senator Eastland. Because we have no policy to export cotton at of our support price system?

Mr. West. That is correct.

Senator Eastland. They felt free to expand under the protection all, but just gathered the surpluses and held them and squeezed them?

Mr. West. That is right.

Senator Eastland. Go ahead, sir.

Mr. West. I spent about 5 weeks in Washington last spring, last March and early April, exploring the possibility of an international cotton agreement patterned along the lines of the wheat agreement and the sugar agreement. There were 3 men selected from the whole world—1 Englishman, 1 Swiss, and myself.

That study was for 5 long weeks, with a stack of stuff this high [indicating] to begin with, by people who had preceded us, and their ideas made it just as definite as sunlight, if I needed any conviction, that this is the best way to do it.

In other words, such a move will discourage the production in outside countries as much as our umbrella up here [indicating] has encouraged the production.

We could not find a meeting ground where we could work out an international cotton agreement that would operate.

Senator Eastland. The Swiss financed largely the Turkish crop, did they not?

Mr. West. I think they do. It is a cinch. So would you. You might not, but I would.

Senator Eastland. Would you care to comment on any other point of Mr. Hohenberg's testimony?

Mr. West. No. There was one question I meant to ask him that I thought might be enlightening to all. He stated that about one-fourth of his business, their overall business, he thought, was in Mexico. They do have a nice business with Southern Mills. They are originally from Alabama. They have an excellent business with the Southern Mills, which is the biggest consumer, by far, in our country. I thought it would be enlightening to all of you to know what percentage of that Mexican business was of his total exports. He might not want to tell you that. I think it is a large part of it.

Senator Eastland. You mean a large part of his export business?

Mr. West. His Mexican.

Senator Eastland. In Mexico.

Mr. White, would you see if you could get us that information, sir?

Mr. White. Yes, sir.

Senator Holland. I would like to ask one more question. I was interested in Mr. West's suggestion which, in effect, is that we maintain the support price, reduce the price of our cotton to the world price, regardless of how low it may go, and give notice in advance that we are going to do that, thereby taking the loss as a nation, instead of as an industry or as individuals.

What place do you assign to the textile people in that picture, the domestic textile people? How would they meet world competition?

Mr. West. There are certain countries where you would have to have a quota system to keep the goods from coming in here, irrespective of what you do, in my opinion, or what the United States Government does about the tariff structure. The best customer that American cotton has is the domestic mill. I surely do not want to do anything that is going to be harmful to them. Somebody is going to get hurt, no matter what you do. Somebody is being hurt now by the present policy.

Senator Eastland. Who is it that is being hurt?

Mr. West. The farmer. He is being ruined; just gets cut down. Here is a fellow with 100 acres, and then he has 75 acres, and now he has 60 acres. Where is he going?

Senator Holland. Yes, we have heard in testimony during this hearing that the textile people are alarmed, and I think naturally so, by any prospect of subsidizing the sale of our cotton above what we need domestically, in the world market. We have heard them say that by the services that are rendered in the processing of the raw product that the goods are worth up to sometimes 100 percent, or 20 times, I believe that was the figure, the value of the raw cotton to the farmer. So that it is a disturbing thing, not just to the man who manufactures the goods but to the various processors all the way along the line, to see the threat to the textile industry involved in that possible loss of foreign markets.

The thing I am trying to bring out from you for the record now is, what is the provision that you would propose to make for them to prevent the great injury that will undoubtedly otherwise be sustained if they manufacture their product out of American cotton, bought at domestic prices, when we are meeting world prices with all of the rest of the crops?

Mr. West. Insofar as they export a certain number of yards of goods, whatever the export price to meet competition abroad, on the

day that they register that sale, they should be given the same benefit in reduction in cost of the cotton that has gone into that.

Senator HOLLAND. As to their foreign sales, they should be subsidized just like cotton is?

Mr. WEST. Exactly.

Senator EASTLAND. That is what we did.

Mr. WEST. That is what we did in the subsidy that we had at that time. Whether they collected on that subsidy or not, I do not know, because you had to register within a given period of time or you were not eligible for the subsidy. It was a flexible subsidy—it started up here, and as the exports got to going out, we did not need it so much, and the foreign prices rose and it was cut. It is now down to 10 cents, and it cost me 30 cents to get the dime, so I do not put it in any more.

Senator HOLLAND. You would propose to protect them in that, as to their domestic products, by a tariff, plus quota?

Mr. WEST. That is it.

Senator EASTLAND. Let me ask you this question. What we face is this: Each year there is a continued expansion in foreign production abroad, is there not?

Mr. WEST. Well, yes. In the past 30 years they have come from less than 10 million bales up to about 23 or 24 million bales.

Senator EASTLAND. Since 1953 there has been that increase?

Mr. WEST. About 4 million bales.

Senator EASTLAND. That will continue for the next few years, will it not?

Mr. WEST. I am afraid so.

Senator EASTLAND. If we had a further expansion of 3 or 4 million bales of foreign production, and even with American production staying low, what is that going to do to world cotton prices? It will break them?

Mr. WEST. Certainly.

Senator EASTLAND. Is not the best way to retain the world cotton structure for us to compete in the export market, because that will halt this big expansion abroad

Mr. WEST. That is right. You are really doing a kindness to the fellow over there, because eventually we will do that. You cannot have a bankrupt agriculture in these United States. If the cotton farmer cannot plant cotton, he will plant something. He will make surpluses in these other things much worse. If he is a broke man, then it will not be long before we are all broke. Who will carry the banner of western civilization then?

Senator HOLLAND. Whether one agrees with the program or not, Mr. West, it certainly is clear that you are by no means an isolationist. You believe we have to stay in the world picture and give and take.

Mr. WEST. I was the first man from my part of the world to go to Plattsburg, not that I was that patriotic but I thought I ought to get in on the ground floor to help.

Senator EASTLAND. Thank you.

We are going to adjourn now until 10 o'clock in the morning, and we will first hear Mr. Reed Dunn of the National Cotton Council.

(Whereupon, at 3:30 p. m., the committee adjourned until 10 a. m., Friday, March 4, 1955.)

DISPOSAL OF AGRICULTURAL SURPLUSES—COTTON

FRIDAY, MARCH 4, 1955

United States Senate,
Subcommittee on Disposal of Agricultural Surpluses
of the Committee on Agriculture and Forestry,
Washington, D. C.

The subcommittee met at 10 a. m., in room 324, Senate Office Building, pursuant to adjournment, Senator James O. Eastland presiding.

Present: Senators Eastland, Holland, Scott, Young, and Schoeppel.

Also present: Sam A. Thompson, advisor to the subcommittee.

Senator Eastland. The subcommittee will be in order.

I am in receipt of a letter from Mr. V. Alexander, executive secretary of the Mississippi Valley Interior Cotton Compress and Cotton Warehouse Association.

Without objection, Mr. Alexander's letter will be made a part of the record.

(The letter referred to is as follows:)

Mississippi Valley Interior Cotton
Compress & Cotton Warehouse Association,
Memphis 3, Tenn., February 26, 1955.

Hon. James O. Eastland,
Senate Office Building, Washington, 25, D. C.

Dear Senator Eastland: Although the dead storage of a large surplus of cotton is highly beneficial to the cotton-storage-warehouse industry this association, believing the best interest of the Nation as a whole, and the cotton-producing industry in particular, can only be preserved by a production of a minimum of 14 million bales annually, has, by unanimous vote of its directors, concluded to give its support to the producers, merchants, and other groups in an effort to devise some sound method of moving a greater portion of our production of cotton into the channels of foreign trade. This in our judgment can only be accomplished by permitting our growth cotton to move at world market prices without, if possible, adversely affecting our national economy. If it is necessary the present surplus and any future surpluses could be permitted to move export after first giving the domestic mills a reasonable time within which to acquire their annual requirements of the particular qualities needed. Surely the domestic mills have had ample time to select their requirements from existing stocks, and with a tariff which would protect our domestic mills against textile imports, could not be too adversely affected by permitting the present surplus to be now offered export at world prices. Of course, some loss would accrue to the Government because of its price-support loans, but this loss could well be charged to the expense of maintaining minimum wages, since without minimum wages agriculture would need no price support.

Some suggestion has been made in the direction of our Government providing insurance to cover our growth cotton shipped to foreign countries so that it would be available for immediate purchase by the foreign mills. That is not the answer. In fact it probably would do more harm than good because it is a well known trade and economical fact that to limit the outlet for any commodity has a price-depressing effect. Such a reaction would further complicate our problem.

Please place this association on record with your committee as supporting any sound method that can be devised to increase the exportation of United States of America growth cotton.

Sincerely yours,

V. ALEXANDER, *Executive Secretary.*

Senator EASTLAND. We will now take Mr. Brinkley.
Identify yourself for the record and proceed, please sir.

STATEMENT OF HOMER L. BRINKLEY, EXECUTIVE VICE PRESIDENT, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. BRINKLEY. My name is Homer L. Brinkley. I am executive vice president of the National Council of Farmer Cooperatives.

I would like to say first, Mr. Chairman and gentlemen, that I appreciate very much the opportunity to discuss this very important subject with you, and I might say that the first part of this statement will deal primarily with cotton, and a good many of the ideas were suggested by some of our cotton member organizations.

But in the second part, I attempt to deal with matters of a somewhat broader aspect as they relate to international trade and problems that we think concern cotton as well as some of the other agricultural commodities going into export markets; more the principles as we see them of the international trade situation and some of the difficulties that we have encountered in our own operations.

The National Council of Farm Cooperatives is intensely concerned with the development, expansion and retention of foreign markets for our agricultural commodities. Representing as we do the producers of most of the commercial crops produced in America, our membership comprises approximately 5,000 individual farmers' business organizations located in every State and Puerto Rico and our interests, therefore, encompass practically all of the marketing problems which confront the farmers of this country both in domestic and foreign markets. Since cotton is one of the largest export commodities produced in America, we are particularly concerned with the marketing problems involved and especially so since some of the basic considerations involved in cotton marketing are also typical of many commodities ordinarily entering the field of international trade.

With particular reference to cotton, it seems to us that the overall goal for cotton production in the South should be a minimum of 14 million bales per year in order to sustain the economy of the cotton industry. And by the cotton industry, I refer particularly to the cotton farmers, of course, since that is where our interest lies.

This will mean that we should consume domestically a minimum of 9 million bales and export a minimum of 5 million bales.

Since most of the cotton that is consumed in this country by domestic mills is produced in this country, our problem is one of obtaining a minimum of 5 million bales of exports each year. There are several methods than can be used to help obtain this minimum of 5 million bales for export, and we would like to discuss some of the methods that can and should be used.

First, we would like to commend the Congress for passing Public Law 480, which permits the sale of cotton and other farm commodities into world markets for local currency. This makes it possible for American cotton to compete in countries where we still have a prob-

lem of dollar exchange. We believe this law has been most helpful and should be continued.

Second, where economic aid is extended to foreign countries, we feel that wherever possible surplus farm commodities, such as cotton, should be used in carrying out such aid.

Third, we believe that cotton and other surplus agricultural commodities should be used as a means of obtaining strategic materials for our stockpile of such materials in this country.

The above methods do not take into account the problem of price, and we would have to assume that through the use of the methods outlined above that the position of cotton would be competitive. The most direct method, but one which no doubt will create more difficulties in dealing with foreign nations, is through the sale of our cotton at fully competitive prices in export markets.

Senator EASTLAND. Now, right there, of course, it would create difficulties with foreign nations when we move in and recapture markets that they have taken from us. But if we are to protect the welfare of the cotton farmer in this country, it is absolutely necessary to do that; is it not?

Mr. BRINKLEY. Yes, sir; it certainly is.

Looking at the problem casually, this seems to be the most direct and easiest way of meeting the problem. However, a careful study of the problems involved indicates that if this method is used a great deal of skill will be required by the people handling the program to obtain satisfactory results and not create other problems which might be just as serious as the problems we now have in exporting our cotton.

Senator EASTLAND. Now, do you advocate that? Do you sell competitively?

Mr. BRINKLEY. Yes, sir.

Senator EASTLAND. All right, sir.

Mr. BRINKLEY. For example, there are a number of countries of the world who now have an export tax on cotton going out of their countries. For example, Egypt has a tax that runs from 5.88 cents per pound to 8.77 cents per pound. India has a tax from 7.98 cents per pound to 10.64 cents a pound. Pakistan has a tax from 4.62 cents per pound to 6.93 cents per pound. Peru has a tax from 7.59 cents per pound to 9.77 cents per pound. Naturally, if we put on an export subsidy in order to take a larger share of the export market, there will be a tendency for other export countries—particularly those with export taxes—to reduce their taxes and meet our price competition. Likewise, no doubt we will be accused by many countries of dumping our cotton, which will cause these nations to either set up reprisals or take other action to embarrass us either economically or politically.

Senator EASTLAND. Well, don't they do the same thing?

Mr. BRINKLEY. Yes, they do.

Now, I think that—this particular section is not my own handiwork—they have reference there, I am quite sure, to an export subsidy of a definite and known amount which would put other competing countries in a position to meet that particular cents per pound of subsidy and come just a bit under it by virtue of their having this highly flexible export tax. The Government itself can adjust to meet different situations.

Senator EASTLAND. Is not the best way in the world to prevent dumping and to prevent price war, just to let them know now that we are going to compete with you regardless of what you do?

Mr. BRINKLEY. Yes, sir. And that will cure a lot of difficulties, too, in my opinion.

Senator EASTLAND. Senator Schoeppel.

Senator SCHOEPPEL. Mr. Chairman, I would like to ask this.

This is the first time I have seen actually broken down into cents and fractions of cents what their export tax is. Of course, that means to me one thing. They either want to keep their cotton in their own country, some of it, or do we have an opportunity to break into these countries that have this export tax on cotton? Would we have an opportunity to break in there if we were on a world competitive price market?

Mr. BRINKLEY. Senator, I am quite sure we could not break into these countries named here because they are on an export basis themselves.

Mr. SCHOEPPEL. That is the reason I asked that question.

Mr. BRINKLEY. Yes.

Mr. SCHOEPPEL. I was wondering whether that is the surplus area that we would have to gear ourselves to and be confronted with when we went into the markets that they are attempting to move into.

Mr. BRINKLEY. That is right.

Senator SCHOEPPEL. Some of these countries, probably Egypt, have a long staple cotton that is probably better than ours. Is that true or not?

Mr. BRINKLEY. Well, it has a very superior long staple cotton; yes, sir.

Senator SCHOEPPEL. But that is not produced in any great quantity, is it?

Senator EASTLAND. It is not competitive with the bulk of the American product?

Mr. BRINKLEY. It is not competitive. It is a specialty market.

Senator SCHOEPPEL. As Senator Eastland said, it is not competitive to us, then?

Mr. BRINKLEY. Well, it would be competitive to a conderable extent with our own long staple.

Senator EASTLAND. But not the mass of the American cotton?

Mr. BRINKLEY. But not the mass of the American cotton.

Senator EASTLAND. That is right.

Mr. BRINKLEY. No; specialty products in the American markets.

We feel, however, that we can justify up to 5 million bales of exports in the export market because of the long history of exports of cotton from this country. We feel that it would be better to work out arrangements whereby cotton moves through normal channels of trade into world markets in a normal and competitive way from week to week and from month to month rather than setting up a regular export subsidy of so much per pound, which would place us in the position at times of breaking the market for American cotton well below the world market, and no doubt at other times would mean that foreign countries would be in position to cut under us in price when they knew definitely what our price would be. That is the combination of the price effective with this specific export subsidy.

If we can obtain 5 million bales or more of exports in a normal way, through the use of the 4 methods which I first outlined—and there are others—at the beginning of my statement, it seems to us that this would be preferable to using export subsidies or other means of obtaining a minimum of 5 million bales in the export market. However, it seems to us that the Department of Agriculture and the Commodity Credit Corporation should have the authority to work with exporters from this country in obtaining a minimum of 5 million bales export, even if this should require the offering of American cotton under competitive terms in world markets from week to week and month to month.

It is highly desirable for domestic mills not to have to pay any more than foreign mills for American cotton. To pay more will place them at a competitive disadvantage, which will create many other problems such as increasing tariffs on the importation of goods into this country and the payment of an export subsidy to the domestic mills for any goods which they might export. This makes a more complex and a more difficult operation, both for the Government and for the mills of this country. Since the mills of this country consume practically all American cotton, we naturally do not feel that it is desirable from the viewpoint of the cotton farmer to destroy or adversely affect the home market in any way in order to obtain additional exports. In other words, we feel that the interest of the domestic mill must be fully protected in any program which is developed.

Senator EASTLAND. Well, now, Mr. Brinkley, you have a very able statement, and I agree with you entirely in that last statement.

What is the import of textiles, now, that is competitive with American textile production?

Mr. BRINKLEY. We have no information on that subject.

Senator EASTLAND. Would it not run about 1 percent?

Mr. BRINKLEY. It would just be a guess. I just do not know.

Senator EASTLAND. Well, could they not be protected if we use a quota system?

Mr. BRINKLEY. Yes. I think there are a number of devices that would.

Senator EASTLAND. That would fully protect it?

Mr. BRINKLEY. Yes.

Senator EASTLAND. In other words, you think that by subsidizing textile exports, as we once did, and if the world price gets too far out of line where textiles would come in over the tariff, that a reasonable quota system would protect them?

Mr. BRINKLEY. A quota system would do it, and there are other methods that could be used.

Senator EASTLAND. What are they, sir?

Mr. BRINKLEY. Well, I don't know. Of course, tariff adjustments could be used, but I would question the wisdom of going into that field because it is a very complex and controversial problem.

Senator EASTLAND. Yes, sir.

Mr. BRINKLEY. But I have had the feeling, Senator, for some time, and it has grown in my own conviction, that too much emphasis has been laid on the use of the American market for having foreign producers of a wide variety of goods look to the American market as the sole outlet for their export commodities.

We have had a very serious disruption of the channels of international trade during the war and the postwar period. I feel that there is need for more consideration toward the development of regional patterns of trade that will help build up economies of different countries on a regional basis, and have strong points of economic strength in other parts of the world as well as here.

For example, Japan is the only industrial country in the East. Japan, it seems to me, is in a position to develop as an economic leader in the industrial development, and there is a market for some of the raw materials in that regional pattern in Asia.

In other words, I think that we have grown to look on trade, international trade, as being too much of a two-way street; that is, to the United States and then back with our own goods.

It needs to be looked on as potentially a more generalized kind of thing than merely this rather narrow trade pattern as between the United States, and this country, that country, and the United States, and so on.

Senator SCHOEPPEL. Mr. Chairman, the other day, as the chairman well knows, some of us in the committee had forcibly brought to our attention the fact that right now, in the Japanese cotton industry, there is more modern machinery, nationwide, in Japan than we have in the United States of America. They have a fine labor group over there. They adapt very quickly to changed conditions, and are adept at mimicking or copying, are experts in it, as was demonstrated here with some of the material that was furnished to us around this table.

Now, they are, I understand, one of the great potential markets, and they take a tremendous lot of American cotton.

Mr. BRINKLEY. Yes.

Senator SCHOEPPEL. They fabricate it in some of the finest mills, better mills, I understand, than we have in this country. Their labor wage rates are much lower, and we are finding out, as was brought out in this hearing, that those men and women over there are skilled. They adapt themselves to the machine-line type of activity, and they can undersell the American market. Now their gray goods are coming in here, the finished articles, and everything along that line.

Now, what is that going to do to our domestic market if that industry over there is expanded?

Mr. BRINKLEY. It is going to have a very serious effect on the domestic market, Senator. There is no question about that.

Senator SCHOEPPEL. Then if we develop that area, they are going to look for outlets. Some of their finished goods are coming in and lend themselves to purchase in the countries that have a higher standard of living than their own. Now, they are going to look to the American market.

Mr. BRINKLEY. That is just the point that I am trying to make. I think there is too much emphasis over the world on the American market as the only market that they can look to.

I had quite a conference last spring with the entire cotton trade of Japan in my capacity as head of the Asiatic foreign agriculture trade mission, and we discussed at some length the possibility and the potential of the Japanese cotton industry. It is vital to the economy of Japan. There is no question about it. And I pointed out to that group then, and I think I got a reasonably favorable reception, that it seemed to me that they should be looking more to other countries

and particularly to that great mass of consumer need in Asia itself, and to use their cotton industry in order to develop strength, not only for the economy of Japan, but to provide the incentive goods that these other countries needed for greater production and greater productivity, and to think about it not merely as being a problem between the United States and Japan, but as a means of helping to develop and tap that enormous market that exists in Asia itself.

In those countries with a very low purchasing power, their great need is for textiles, and any economic improvement in the undeveloped areas, such as Asia, is usually, it seems to me, first reflected in increased demand for cotton textiles, because they never have enough. Their standards are extremely low as compared to ours and some of the European countries.

So the economic development of that country will do more, I think, toward providing the kind of outlet that Japan needs for her textiles than almost anything that could happen.

Senator EASTLAND. Let me ask you this question.

Southeast Asia is a dollar-earning area, because of metals and products that we have to buy from that area; that is true, is it not?

Mr. BRINKLEY. Yes.

Senator EASTLAND. Well, isn't that the normal market for Japanese textiles?

Mr. BRINKLEY. It is, and I think it should be.

Senator EASTLAND. Yes, sir.

Mr. BRINKLEY. I think it should be.

Senator EASTLAND. Then why could not, by the sale of textiles there, in that area that earns dollars, Japan earn the dollars necessary to buy American cotton and by the sale of her textiles in those countries that have dollars?

Mr. BRINKLEY. She can, but again I think the matter of dollar earnings may have been overemphasized. There are other currencies in the world that will buy things. And I touch on the problem of convertibility a bit later on, and I think that perhaps we ourselves, and certainly other countries, have been inclined to lay too much emphasis on dollar earnings.

I do not decry the necessity and the importance of that. I think that is a part of it. But it is not the only part that we need to be giving consideration to. It is the difference between other countries and the kind of economic development that each can help the other to achieve that may be just as important is a regional trade pattern as the dollar aspect of it.

Another problem which we think should be investigated is the question of using economic aid for the increased production of cotton in foreign countries. We have been in favor of the use of economic aid to improve the economies of the underdeveloped countries of the world. However, there is some indication that within the last 2 to 3 years economic aid has had a tendency to increase foreign production of cotton at a rate faster than the increase in consumption in the countries outside of the United States. If this condition continues, it will mean that cotton farmers of the South and the West will gradually have to turn over more and more of their export market to other producing countries.

Senator EASTLAND. Right now, that is a basic question. It has been argued by some that consumption of cotton abroad will grow faster

than foreign production. Now, is it your judgment that foreign production will increase faster than cotton consumption? That has got a lot to do with whatever program we adopt.

Mr. BRINKLEY. Well, I think that you have both a short-term and a long-term determination there, and I would say this, and I repeat again, that I think that you get the results of economic improvement reflected quicker perhaps in cotton consumption than almost any other commodity except the basic foods. We do have enormous population increases all over the world, and I think that would naturally tend to work toward a rather steady increase in consumption, provided your economic situation and the earning power of the mass of the people is kept in pace with the increase in production.

We feel there is justification for an increase in production of cotton in foreign countries to take care of the normal increase in consumption, but we do not believe that it is economically sound, either for those countries or for this country, for this aid to be used for increasing the production of cotton to such an extent that the American farmer will have to withdraw from the export market. We, therefore, think that a careful study should be made to determine whether our economic aid is increasing cotton production in foreign countries faster than consumption is increasing in such areas. If the study shows this to be correct, then it seems to us that foreign aid should be used in other fields until such times as the increase in consumption of cotton in the world catches up with the increase in production.

The only alternative to this is probably an allout price war in the export market, which will have the effect of stopping the increase in production in foreign countries, or even turning the production backward. We do not feel that this is the best way to handle the matter, and it is better to divert our aid into other fields, both from the viewpoint of this country and from the viewpoint of the recipient country, than to permit our economic aid to precipitate a cotton price war in the export markets.

To sum up our recommendations with reference to exportation of cotton, we feel that what might be considered indirect methods for obtaining our fair share of the export market for cotton should be used to the fullest extent first before price is used as a sole basis of obtaining our share of the export market. However, if necessary, we feel that the Department of Agriculture and the Commodity Credit Corporation should have full authority to make American cotton available in foreign markets at competitive prices if this is necessary.

The theory of our price-support program for cotton is that we have a loan to take care of the surplus when we produce more than the domestic market and export market will take in any one good year. We then control our acreage the following year in order to reduce our supplies to the point that we will not only consume and export the production the following year, but will begin to consume any surplus which we have accumulated prior to that time.

If this program can be made to work perfectly, it should mean that no cotton should ever go into permanent Government stocks and the title to all cotton should remain in the hands of the grower, and he would be given time, through the loan, to adjust his production to domestic and export demand. We think this philosophy of trying to keep all of the farm commodities in the hands of producers, and let them be marketed through normal channels of trade, is a sound and

efficient way to carry out a price-support program on cotton. We realize, however, from time to time we will experience difficulties in obtaining our fair share of the export market, and under these conditions it seems to us that Commodity Credit Corporation and the Department of Agriculture should be in position to assist farmers in holding their fair share of this market. If this could be done without the Government having to take title to any cotton, and the cotton could continue to pass from the farmers' hands into the normal channels of trade, we think this would be highly desirable, and it is a goal to work toward as times goes on.

Senator SCHOEPPEL. Mr. Chairman.

Senator EASTLAND. Senator Schoeppel.

Senator SCHOEPPEL. How do you think this could be handled without having the Government in it?

Mr. BRINKLEY. Senator, I do not think it can under these conditions. I think I stated at the end that this is a goal to work toward as time goes on. That is about as far as we could say anything on that subject just now. I think we are faced with a condition and not a theory.

Again, in considering the specific needs of cotton and the cotton trade in seeking expanded markets in foreign countries, it is difficult, if not impossible, to take such problems out of the context of the general situation as it relates to international trade.

It is our conviction, therefore, that cotton as well as other agricultural commodities will benefit from the establishment of a cohesive national economic policy that will hold equal rank and consideration with our foreign political policy.

We hold the view also that one of the most productive activities in which we can engage in this country is to promote the idea in foreign countries that great good will come to them from the establishment of the kind of internal economic climate which will attract and hold the investment of private risk capital, both indigenous and foreign. In such an investment program, the necessarily accompanying technical assistance is pinpointed on the target of specific need, and training schools and other activities which would naturally accompany such a program will do much to expand the technical know-how and ability of foreign workers. Increased local employment flowing from such a program will provide a broader and more stable economy, and thus result in greater markets for a wider variety of our exportable commodities. Furthermore, the people of such countries will be able to consume more of their own production, thus alleviating the problem of surplus production and inadequate markets and providing broader and more stable markets for a wider variety of imports. We feel that the kind of economic diversification which would result over the years would alleviate, if not completely eliminate, some of the severe restrictions on foreign trade which presently plague the exporters of our agricultural commodities, and would be directly reflected to our own farmers in greater earning power and a more stable agriculture.

In still another direction it is our conviction that we should be paying more attention, and urging other countries to do likewise, to the problems of inconvertibility of currencies.

Lack of convertibility has contributed greatly to the channeling of international trade on a regional rather than a multilateral basis, and

has in numerous ways contributed to many countries actually paying more for goods than they would otherwise do were their currencies completely convertible. It is our belief, too, that the major problems of convertibility are not our responsibility but of the individual countries, although we can be helpful. Control of inflation, better direction of the expenditure of tax funds, a broader tax base and more rigorous collection methods, would go far toward achieving the internal stability of finance that is needed as a basis for convertibility in any country.

Instead of concentrating so exclusively on the matter of reducing tariffs, which over the years have become the least restrictive of the various measures applied by the various countries, it seems that more effort should be spent on attempts to alleviate or eliminate some of the various exchange controls, quotas, preclusive buying and bilateral agreements, bonus dollars, and other measures which have held back the exchange of goods on an international basis.

While the operations of Public Law 480 have been slow in getting under way, we think significant progress has been made in certain directions, and we would urge that careful consideration be given to expanding and strengthening this program. Greater acceptance of foreign currencies is, in itself, a step toward convertibility of money of the weaker countries, and Public Law 480 is thus an important step in this direction. In addition to this, other benefits can come from the operation of this program, such as foreign economic development.

We would urge, too, that more careful consideration be given to the use of foreign currencies acquired by the United States under this program in such a manner as to make them more readily available to private industry, either on a loan or sales basis, in order to make more constructive use of such currency with a minimum of loss. This is a means of validation which will contribute to convertibility and at the same time accelerate economic development in the country of origin by private industry through investments and business activity. It is our belief that if such currencies are retained only for governmental purposes the operation of the program might well become too burdensome if long continued.

In the handling of the actual transactions of cotton or any other commodity, we think maximum emphasis should be laid on the marketing activities of private industry using Government agencies in a supporting role. Otherwise there would appear to be danger that under certain circumstances we might well develop a system of export trade which would come perilously close to state trading.

With the new and greater emphasis being placed upon foreign markets has come the possibility of much more effective use of our agricultural attachés who can be of tremendous assistance in identifying and helping to remove roadblocks to trade, and in acting as the foreign arm of the Department of Agriculture, and agriculture generally, for the specific purpose of expanding and retaining foreign markets. We would urge, too, that more extensive use be made by private industry of their own foreign sales representatives. We have been encouraged in recent months to learn that many individual organizations in our own membership—involving several commodities—have sent abroad qualified sales representatives to make direct contact with the trade.

One very disturbing situation which I personally observed recently in many of the countries of Asia in my capacity as head of the Asiatic Foreign Agricultural Trade Mission, was the rather widespread complaint as to grade and quality of our agricultural exports.

Senator SCHOEPPEL. Right there, Mr. Chairman, if I might. I note that you were a member of this foreign trade group.

Mr. BRINKLEY. Yes, sir.

Senator SCHOEPPEL. Reports have come to us on that. Of course, I am going to say frankly I do not know too much about cotton or tobacco. I know a little something about wheat. Senator Young and I are in a hard wheat country in our respective areas, and up to our necks in problems with it.

We have repeatedly received information that some of our private business exporters have delivered under contract inferior grades and qualities of American products, namely, wheat, for instance, which has given us a black eye in a lot of those countries.

Now, isn't the cat on the back of private industry?

Mr. BRINKLEY. Most emphatically it is, Senator.

Senator SCHOEPPEL. And what are we going to do about it?

Mr. BRINKLEY. I ran into this problem in several countries in Asia, particularly in Japan involving wheat and involving soybeans, bitter complaints by the people who were directly involved, and they did not pull any punches in telling us what they felt about the quality of their imports from this country. And we spent a whole afternoon with the heads of the major importing firms in Japan, and began to cast around as to the reasons for the situation, and I distinctly got the impression that some of the importing firms in foreign countries are seriously in need of more information from our own people as to how they can protect themselves by specification buying on these imports.

In other words, they complained, for one thing, about the tolerance that is permitted in our grades. They appear not to know too much about our grading system and what it consists of, and their recourse under the United States grades.

I think that one of the things that our Department of Agriculture might well do, and our private industry might well do, is to have a series of educational conferences in these various countries to tell them what they themselves should do in order to protect themselves and to have legal recourse in case they receive inferior goods.

Now, when I was general manager of the American Rice Growers' Association——

Senator EASTLAND. Mr. Brinkley, could you excuse me just a minute?

Gentlemen, we are very much honored to have a delegation of the Mississippi Farm Bureau Federation with us today. I am going to ask each person to stand.

Mr. Branch, I believe you are the spokesman.

Mr. Branch is a Director of the Mississippi Farm Bureau, and he is also on the State ASC committee.

I want you all to stand.

Mr. BRANCH. I do not believe that our other group has arrived yet.

Senator EASTLAND. Yes.

Mr. BRANCH. Mr. Craig.

Mr. CRAIG. Yes, sir.

Senator SCHOEPPEL. Yes, I know Mr. Craig.

We are mighty glad to have you.

Senator SCHOEPPEL. Mr. Chairman, if I might pursue this further; you take cotton, you take rice, you take wheat, you take soybeans, and we had the complaint on some grades of flours, that in order to make a quick, nasty dollar these private traders and these private groups were slugging many of their shipments with inferior qualities of this stuff that they could go out and buy, or bribe somebody to get by inspectors in our own country. And as I say, it gives us a black eye. It made those people figure that American traders were short graders, were sharp traders, were an intriguing type of trader. It made them skeptical about future operations.

Now, first I think it is the duty of the industry itself under the competitive system in this country to exercise self-policing.

Mr. BRINKLEY. That is right.

Senator SCHOEPPEL. If they have not got the intestinal fortitude and the courage to do it, then, in order to protect these markets, if we are going to support these markets and get rid of our surpluses and go more to the export trade through private marketing channels, maybe we had better establish some type of hard and fast licensing system that will require them to take out a license to be permitted to export under proper supervision, all of which costs money.

Now, there has been too much of that going on.

What have you people in the industry yourselves done about it?

Mr. BRINKLEY. I was just going to relate my own experience as head of the American Rice Growers Association. We have been in international trade all over the world.

Rice is a tremendous export commodity. We sat down with the representatives of the foreign countries with which we were doing business. We pointed out to them in detail—we spent 2 or 3 days trying to inform them and educate them—as to the grading methods that we used, as to the kind of grade and quality that we sold, what the Federal grade certificate of quality meant, what their recourse was under that certificate, and what they could do by way of establishing specifications in their sales and purchase contracts to protect themselves against sharpshooters in exporting.

That had a tremendous effect. First, we were dealing with informed people after that, and they knew how to protect themselves when they wrote up the grade specifications.

Now, I just feel this way, that a lot of the old sharpshooters that we knew before the war are coming out of the woodwork again, and they are resorting to the same kind of tactics that they used to be able to get by with. Now, since the war, and until the last couple of years, foreign traders never had it so good, and they could get by with shoddy goods, and with other practices that would not be tolerated under these conditions, and some of them are still trying to do it.

I want this to be abundantly clear, that I think that is a very minor percentage of our international traders. I think by and large they are as honest as anybody else. But I do feel that it is up to their own trade associations and up to their own efforts to clean house. I think that if they do not do it themselves, it is going to be done for them, and they may not like some of the remedies that might be imposed.

But I think it has got to be done. I think American goods in foreign trade ought to have the same standing that they do in domestic markets. They could not get by with that in domestic markets.

Senator YOUNG. Mr. Brinkley, it is not a matter of just policing our own merchants. This wheat case is a good example. I happened to be on that subcommittee when they held hearings in Minneapolis and Galveston. The chief offender, as I saw it, was the Bunge Corp., a foreign-owned corporation, with offices at many places including in New York, Minneapolis, and Kansas City. It has many other affiliates which they own in part or in whole.

They deliberately, I think, mixed foreign material in wheat that was going out as exports. Milo maize was one thing that they mixed in with good wheat at the Galveston port. I think that Senator Schoeppel pointed up one way that you might solve the problem, that is, strict licensing or Federal grading. If we only had our own people to police, it would be a little different problem. There would be some pride of doing a good job.

But when you have foreign countries in here handling a large part of our exports in wheat, I do not know any competition here that would bother them very much.

As I understand it, there are only about 4 concerns handling wheat in international trade, 4 big concerns, and my own personal opinion is that only one of them has a good reputation.

Mr. BRINKLEY. Of course, I am really talking about a two-pronged approach, one, a housecleaning operation among the industry itself, and the other, the educational program that could be used to acquaint foreign importers with the kind of protection that they can have to safeguard these transactions themselves, by being clear and specific on these specifications.

Senator YOUNG. Now, in the case of wheat, it would be pretty hard for them.

This case first came to our attention when the Swiss Government complained about 2 or 3 cargoes of wheat that they felt were not up to grade, and in checking we found that in the Galveston wharf, for example, Mr. Thornton, wharf manager admitted that he had slugged those shipments with foreign material. He said he had to do it in order to break even with other ports. He said that they were all doing it and that if he did not do it, he could not stay in business.

I think that is a pretty sad state of affairs.

Mr. BRINKLEY. Well, it is a state of affairs that needs very badly to be cleaned up, and any method that can be used short of compulsion—I would hesitate to recommend strict licensing and compulsory methods until we had exhausted other approaches to the thing. I have the feeling that it can be vastly improved and maybe cured by the efforts of the industry itself and the educational programs with the foreign countries.

Senator YOUNG. You mean international traders in wheat, for example, would police their own activities?

Mr. BRINKLEY. No; the foreign buyers who would buy from these people. If they knew more about how they could protect themselves on the grade, and could reject, and so on, if it was not up to standard, I think they would be a lot more careful.

Senator YOUNG. I think they are pretty well posted on the wheat situation. As a result, they sometimes prefer to buy their wheat from other countries.

Unless we can clean up our own grades and present for the rest of the world a top-grade wheat—our farmers produce it, but it is badly mixed up afterward—we are just bound to lose more and more export trade.

Mr. BRINKLEY. The burden is borne by the American farmer in the final analysis, because unless we can deliver to our foreign customers the same kind and grade and quality of goods that we sell on domestic markets, we are going to lose markets to the competition. It is not just a matter of price alone.

Senator YOUNG. Every farmer, as you know, is docked very rigidly for any foreign material he has in his wheat.

Mr. BRINKLEY. Oh, yes.

Senator YOUNG. But when it gets to these ports, if it is clean, they will mix in foreign material.

I do not know anything that will take care of a situation such as that unless there would be some criminal prosecutions and a stricter law.

Mr. BRINKLEY. It would seem to me, Senator, that one of the first steps—and it may have already been taken as far as I know—but one of the first steps is for these trade associations and for the industries themselves to identify the problem, see what it is, and let them exhaust all their own resources to clean it up. Then if they cannot do it, obviously it is time for something else to take place. And I do not know what that would be.

Senator YOUNG. I think we are overdoing it.

Mr. BRINKLEY. We are overdoing it. We certainly are. It should never have happened in the first instance.

Senator SCHOEPPEL. Mr. Chairman, following this a little further, I think it is most important, especially since you suggest an education program apparently beyond our own borders.

Mr. BRINKLEY. Yes, that is right.

Senator SCHOEPPEL. Now, there was a group of farmers that had the privilege of going to the European area, and they spent 2 or 3 months over there. One of those men happened to be Guy Josserand, who is right out of the heart of the Wheat Belt, from Dodge City, Kans. He is a farmer, a cattle man, a big operator, well known in my State. He knows the wheat business, the cattle business, and knows something about some of these other commodities. He has made it his business to find out about them.

He was on this mission that went over there. Now, we can spend a number of hundreds of thousands of dollars sending trade associations over—and the Government of the United States can do that too—trying to build up good will for American products. But Mr. Josserand came back from that trip and he said, "Andy Schoeppel,"—and I have told this in a number of other States scores of times—"the biggest problem we had is that we didn't sell them, and they didn't get what we represented they were buying." He said that they had sour stomachs on us, and we were confronted with this in every section of Europe that we went into with our agricultural commodities.

That is why they went over there, to see about expanding our markets of agricultural products of all types and kinds.

He said, "It was so common, I was ashamed and I was shocked at what our industry in this country permitted to finally land over there."

Now, you can spend hundreds of thousands of dollars, but when you meet that situation in the potential export markets of this country, and find we have the reputation of delivering inferior quality, you are also going to run up against the competition of Britain and Canada and other places saying, "Well, we will deliver what we say we will deliver."

Mr. BRINKLEY. That is right.

Senator SCHOEPPEL. And brother we have another 3 or 4 years' missionary work to do.

Again I come back. It looks to me as if there is a tremendous responsibility on people in the trade organizations, of which these people are a part, to meet those specifications and standards. And unfortunately, some of the perpetrators of this disgusting type of practice have escaped the penitentiary up to now. That is where they ought to serve sometime, because it was a fraud on the American farmer, the American taxpayer, and everybody else.

Conceivably somebody wants to say, "Oh, well, I saw a little notation in the newspaper the other day that somebody walked in and came in to Washington in high circles and apparently exerted some influence."

Right or wrong, I do not know whether that is the case. But if it is, it is a terrible situation.

Mr. BRINKLEY. It is a fraud on the American farmer, because we are not going to regain markets; we are not going to be able to hold markets until we can clean up that situation.

Senator SCHOEPPEL. I mention it only because you have gone into it here on one phase of the thing, and I think it is most important.

Mr. BRINKLEY. I think the significant thing about it all is that each one of these trade missions, and there are four of them, all reported identically the same thing over a wide range of commodities.

Senator EASTLAND. Senator Scott?

Senator SCOTT. I am mighty glad to get that observation, that we farmers are not the only buzzards in the world.

Senator EASTLAND. Proceed, Mr. Brinkley, please.

Mr. BRINKLEY. In India, for example, I found the cotton trade very much distressed over a transaction of several years ago in which a large quantity of inferior and damaged cotton had been received and paid for as sound cotton. In Japan I received complaints from traders regarding the addition of foreign material to soybeans and grain, and too wide a tolerance in the official grades and short weights. It was apparent too that not enough information has been made available to foreign importers as to the steps which they can take in the direction of establishing more precise specification of grade and quality and hold the transactions to those specifications. An educational program sponsored by our own industries and the Department of Agriculture would go far toward removing much of the basis of dissatisfaction which has become quite evident in recent months.

Senator YOUNG. Mr. Brinkley, at that point, what regulations do we have, now, on exports? There is some Federal grading, is there not?

Mr. BRINKLEY. Oh, yes. They can buy either on grades or on sample, Senator, or both, as far as that is concerned.

Senator YOUNG. And they only sample a very small portion?

Mr. BRINKLEY. Well, under the regulation it is supposed to be a representative sample.

Senator YOUNG. But apparently many of these shipments have gotten by, though, bad shipments, or shipments of inferior cotton, inferior wheat, and so on.

What is the answer to it?

Mr. BRINKLEY. It is too complex a problem. I think there are many ways it could have happened. I have great confidence in the integrity of the Federal grading system, and my belief is that something must have happened between the sampling or the issuance of the certificate and when it got to where it was going, or there may have been faulty specifications. They may have thought they were buying something and they were buying something else.

There is not enough knowledge in foreign countries as to what our official grades actually mean. In other words, there is some degree of tolerance in the grades, and they may, probably, have gotten the lower tolerance of that particular grade rather than the top tolerance.

Senator YOUNG. I think you raised an awfully important question, one I have been thinking about ever since I have been on that investigating committee and held those hearings. The testimony I got at Galveston was that the Federal inspectors—there were not nearly as many as there should have been—did not get around, or it was impossible for them to watch the loading of that grain as they should. Every time they turned their back, the port manager admitted that he slugged the ships, and, of course, he is going scot-free now. Some of the offenders may pay a little damages under a civil action. Apparently there won't be any more prosecutions under criminal law.

Mr. BRINKLEY. Yes.

Senator YOUNG. The offenders claimed that all the rest of them were doing the same thing. And I think it is something that this committee might want to get into.

Mr. BRINKLEY. I think so, Senator, and I might suggest that perhaps one step that might be taken would be to talk to the heads of our Federal grading service and ask them for their recommendation and what their knowledge is of how these things might have happened. Perhaps they may need some help, you see, in strengthening the grading system. They may be short of manpower. I just do not know. But it would seem to me that that would be a logical first step, to call these people in and discuss this whole problem with them. I think it is tremendously important.

Senator YOUNG. Under our present laws, as you probably know, if a seed dealer sells six sacks of seed corn and it is not up to specifications, the only way that they can proceed is through criminal action.

Mr. BRINKLEY. Yes.

Senator YOUNG. There is no alternative. I think an effort is being made now to change that law so that they would have the alternative of proceeding under a civil action or criminal, but the law is now that they can only proceed under criminal action.

Here a fellow may be prosecuted as a criminal for selling six sacks of corn that has a little foreign material in it, and an international

trader can mix millions of bushels of Canadian wheat, imported as unfit for human consumption, into our good wheat and get by with it.

Mr. BRINKLEY. Well, I have a very high regard for our Federal inspection people. I have the feeling that they may be not only willing but anxious to offer some very specific and definite suggestions as to how we might get at this problem.

Senator SCOTT. Mr. Chairman, while I was commissioner of agriculture in my State, we had a grading service under us, and I have kept in touch with those folks ever since. And I am under the impression that what they suggested was that they do not have enough personnel to carry out the job. I think their suggestion there that we get help from those folks might go well——

Senator EASTLAND. Yes, sir; I agree with you.

Senator SCOTT (continuing). Because you can kill any program by taking the personnel away from them.

Senator EASTLAND. That is right.

Senator YOUNG. I think that is probably what happened.

Senator EASTLAND. Mr. Brinkley, now I do not want to break in to the order in which you have presented your statement. I think you have a very fine statement. But I would like to ask you these questions.

At one time the United States was the largest cotton exporter in the world. In fact, at one time we had over half of the world export market of cotton, did we not?

Mr. BRINKLEY. Yes.

Senator EASTLAND. Now, we have lost it, and we are down to about 28 or 29 percent, are we not?

Mr. BRINKLEY. Yes.

Senator EASTLAND. Why is that? What caused us to become a residual supplier?

Mr. BRINKLEY. Senator, that is an extremely difficult question. I would say that it was probably the result of a good many factors. I think one of the important factors that we have had in this postwar period is the memory of all the countries that were so severely affected by the war, of their shortages, their starvation, their being deprived of the very essentials of human life, resulting perhaps in the determination that they were not going to let that happen again, so that you had almost a worldwide attempt in country after country to increase the production of human essentials, food, and fiber. I think that is part of it.

Senator EASTLAND. Well, isn't the principal thing, now, that we have not been competitive in price?

Mr. BRINKLEY. That is one thing.

Senator EASTLAND. Isn't that the principal reason?

Mr. BRINKLEY. I would say that that would probably be the principal reason.

Senator EASTLAND. Yes. Now, can this thing be solved and those export outlets be recovered if we are not competitive in price?

Mr. BRINKLEY. I do not think we can do the job in its entirety at all unless we do adopt policies of being more price competitive.

I have the feeling that we have, not only in cotton but in other commodities, by our internal economic policies, done a good deal toward stimulating foreign production of a number of commodities by, in

effect, raising a price umbrella, and instance after instance can be cited where that has happened, and some of that production that has come into being has not been economic by our standards; it has not been efficient by our standards, but it has been brought in by the higher price structures.

Because of its very existence, it has to a considerable extent impeded our own marketing programs.

I think that is part of it. I think that probably is not the whole or entire reason, but certainly it is a very important reason.

Senator EASTLAND. But American cotton exports, now, are running slightly above 4 million bales a year. We talk about Public Law 480. Of course, it has helped, but the facts are that we have not sold cotton for dollars under that law; have we?

Mr. BRINKLEY. That is my understanding of it.

Senator EASTLAND. Surely. And of the slightly more than 4 million bales of exports, at least half of that or a million and a half bales of that has been given away in certain foreign-aid programs, has it not, of which Public Law 480 is one, whether we call it that or not.

Now, is it not idle to talk about recovering a market, and I judge when we speak of 5 million bales of exports, we are talking about markets, about selling cotton and getting paid for it and doing business on a business basis; are we not?

Mr. BRINKLEY. That is right.

Senator EASTLAND. Is it not idle, now, to talk about recovering those markets unless, first, we are going to compete with the foreign producer?

Mr. BRINKLEY. I think so.

Senator EASTLAND. Yes.

Mr. BRINKLEY. I think you have got to be competitive. And let me say this, too, that I do not think competition is all merely a matter of price. I think there are other factors that enter into it.

Senator EASTLAND. Certainly.

Mr. BRINKLEY. The kind of thing that we have just been talking about.

Senator EASTLAND. Certainly.

Mr. BRINKLEY. I think your freight-rate structure enters into it.

Senator EASTLAND. Certainly.

Mr. BRINKLEY. And a great many other things.

Senator EASTLAND. But what is the basic reason? Is it not price?

Mr. BRINKLEY. Price is always the basic reason.

Senator EASTLAND. It always plays a part, sir?

Mr. BRINKLEY. Price is always one of the basic considerations.

Senator EASTLAND. Yes. It is your testimony now that price is a basic reason?

Mr. BRINKLEY. Price is basic. There is no doubt about it.

Senator EASTLAND. Thank you, sir.

Mr. BRINKLEY. The marketing of agricultural products in our domestic markets has been based to a steadily increasing extent upon improved quality, and careful attention to standardization of such quality, so that purchasers can be assured of their values. This principle is of no less importance in foreign markets, and every step should be taken by both governmental and private agencies to insure that foreign purchasers get full value for their money. Private individuals and trade associations should develop comprehensive programs de-

signed to standardize and protect the quality of farm products sold in foreign markets, and appropriate governmental agencies should assist in every proper way, short of compulsion, to promote such activities.

In the field of research we have seen increasing emphasis by farm organizations in recent years on the necessity for more research in the field of marketing. Over the years this has paid increasing dividends in our domestic markets, and equal value can accrue from the same kind of marketing research in foreign markets. We urge an increasing realization of the need for such research and active steps on the part of trade and Government in the field of this greatly needed market research. This research should be designed to assist private industry to develop foreign markets in the same manner that it has aided industry in our own domestic markets.

The matter of adjustments to a changing demand situation is one which has concerned everyone in agriculture. In this country we have embarked upon programs of rigid controls of production in order to achieve better alinement with our effective demand. We should not overlook any opportunity, while we are making adjustments, to also make them in the direction of increasing the total demand in both domestic and foreign markets. Furthermore, we should become more concerned with the fact that we appear to have been entirely too prone to look upon the need for adjustment as being the sole responsibility of our producers in the United States. As a result our farmers are becoming increasingly alarmed that while they are reducing production of certain commodities, other countries are embarking upon, and have achieved, substantial expansion of those same commodities.

Senator EASTLAND. Now, in the case of cotton; is that not exactly what has happened? We have been noncompetitive in price, and as we have reduced production, other countries have expanded and moved in and captured markets that we once had?

Mr. BRINKLEY. That is right. I think it is a very dangerous situation.

Senator EASTLAND. And I understand this. Of course, now, we have got a surplus of cotton at the end of this year that will run slightly more than 10 million bales. It is your testimony, as you have said, that price is fundamental in recapturing these markets. Do you think that we should have, in addition to the support price program, a system whereby from day to day and week to week and month to month, we are going to compete with foreign producers?

Mr. BRINKLEY. Yes, sir.

Senator EASTLAND. Now, that means some form of an export subsidy. I am not talking about a fixed subsidy now.

Mr. BRINKLEY. No.

Senator EASTLAND. That means some form of subsidy.

Mr. BRINKLEY. Of course, subsidies take many forms, and it would be difficult to say what kind of subsidies. And "subsidies" is a bad word, anyhow.

Senator EASTLAND. Yes, sir. But it is mighty bad when hundreds of thousands of farmers have not got an acreage allotment by which they can make a living. And that is where these policies have carried us.

Mr. BRINKLEY. I think that that subject is one which is of tremendous concern, that is, the type and kind and manner in which pricing mechanisms are used in order to be competitive.

Now, I think one of the most tragic things that could happen to the American farmer would be for such a program, product-export subsidy, or what have you, to be used in such a fashion as to break world markets.

Senator EASTLAND. Of course.

Mr. BRINKLEY. I think the most important——

Senator EASTLAND. There is no point in selling cotton at 30 cents a pound when we can sell it for 34 cents a pound.

Mr. BRINKLEY. That is right.

I think the greatest need in a market, either in domestic or foreign markets, is stability of your markets——

Senator EASTLAND. Yes.

Mr. BRINKLEY (continuing). Because on the basis of stability, you can plan ahead; you can plan your production; you can plan the allocation of your total resources on a longer term basis, and you get away from this up and down, this fluctuation, this uncertainty that could result from the unwise use of pricing mechanisms.

Senator EASTLAND. Yes. Now, it creates a tremendous problem for the cottongrower when he has a low acreage 1 year and jumps up the next and then jumps down the next.

Do you not think it is in the national interest to say, "Now, we are going to use the economic power of this country to export 5 or 6 million bales of cotton a year," and then compete and do that and stabilize these acreage allotments at a figure by which a man can make a living?

Mr. BRINKLEY. I think this, Senator. I think that the United States is in a position with respect to a number of commodities, and has exercised that position, in such a way as to bring about a generally higher price structure. I think higher price structures have been badly needed, and I think that has been one of our objectives.

Senator EASTLAND. Yes. Now, in the last analysis, can't the United States dictate the world's cotton policy?

Mr. BRINKLEY. We are in a position of leadership with respect to it.

Senator EASTLAND. Certainly. We can dictate the terms of it if we will take the steps necessary to do it.

Mr. BRINKLEY. But I do think it would be extremely dangerous and not in the best interests of American agriculture if in so establishing that position of leadership, we did it in such a manner as to adversely affect the economies of other countries by creating generally price structures that are too low to maintain a stable economy in countries.

Senator EASTLAND. That is right.

Mr. BRINKLEY. I think we ought to be a leader in the achievement of stability.

Senator EASTLAND. Correct. But now, Brazil, as you know, one year had an unrealistic cotton support price, a support price of 53 cents a pound. They got the cotton crop that year. The next year they had another unrealistic support price, a support price of 40 cents a pound, and they got that crop. Then they subsidized the export of Brazilian cotton and cut our export markets in half, and we have not recovered from it yet.

Mr. BRINKLEY. You see, that is a dangerous thing that you do. I think perhaps some of our policies have not been in the interest of countries that we were trying to help.

Senator EASTLAND. Yes. But the point is this: Would they have done that? Would they have taken those steps, those dumping steps, if they had known, now, that we were going to meet their price; that we were not going to let them undermine American markets?

Mr. BRINKLEY. I doubt if they would have.

Senator EASTLAND. Of course, they would not.

Mr. BRINKLEY. I have observed in the case of another commodity, rice, in the Latin American countries, where during the war period, with the enormous worldwide scarcity of rice, and Asia dependent almost entirely on the production of rice in the Western Hemisphere, the production of rice in Latin America expanded dramatically, very rapidly. A lot of lands unsuitable for production were brought into production. There was a lack of know-how on the part of producers. They put out a very poor grade of rice, but because of the worldwide demand at very high prices, they could sell it.

Then when the war was over and the production of Asian rice began to be reestablished, and prices declined somewhat, not drastically, but even a slight price decline was enough to force out of production a lot of that uneconomic production that had been artificially stimulated and brought into the picture.

Now, had that continued on that basis, and had we adopted price policies that would have tended to keep that uneconomic production, we would not have been rendering them a real service, long-run service. It would have been a disservice from a long-term standpoint, and we would have rendered a disservice to our own producers.

I think that we have probably not analyzed the impact of our programs country by country over the world from the long-range standpoint as much as we need. There has been too much of a short-range kind of thing, a sort of catch-as-catch-can proposition.

Senator EASTLAND. I agree with that.

Mr. BRINKLEY. We have been so concerned about building up the economy of other countries, and I think rightly so, but I cannot help but feel that from the long-term good of those countries, we might have adopted different policies and done a better job than we have done.

Senator EASTLAND. Now, I certainly agree with that statement entirely. But right now we must have a long-range policy and we also must have a short-range policy, have we not?

Mr. BRINKLEY. That is right.

Senator EASTLAND. And I think that what has been advocated for a long-range policy is sound. I think that we have certain international cotton shippers and certain segments of the textile industry and other groups that take an unrealistic view of what is necessary to be done right now to save the American cotton industry.

Senator YOUNG. If an expert subsidy program were available to dispose of our cotton surpluses, would we not be in a position to say to the cotton producers in the rest of the world that our farmers are required to cut their production drastically; we have historically had a certain percentage of the world cotton exports, and until we regain that historical cotton market, we are going to have to use these sub-

sidies, that is, unless the other countries curtail their production the same as we have?

Senator EASTLAND. And quit subsidizing exports.

Senator YOUNG. Yes.

Mr. BRINKLEY. I have this feeling, Senator, that perhaps more international consultation with other cotton-producing and consuming countries might be in order. Perhaps if they knew more about our own objectives and what we needed to do to keep our own economy on an even keel and the steps that we might be prepared to take, and if they were fully informed as to that situation, I think they themselves could plan more constructively than some of them appear to have been doing.

Senator YOUNG. Is it not a general impression in most of the foreign countries you visit that every American is tremendously wealthy and that the farmers here are rolling in money?

Mr. BRINKLEY. It is most embarrassing. I would hate to find out what some of them do think about our own personal individual wealth, we do not meet that specification by any manner of means, as far as I am concerned.

Senator YOUNG. There are millions of Americans that do not have the farm picture too accurately.

Mr. BRINKLEY. Yes.

Senator YOUNG. I doubt if some of our own people are informed as to the sacrifices that many of our farmers are making.

Now, take these small cotton farmers. They just have a hard time existing. You have the same thing in other segments of agriculture, and mostly because we lose this foreign trade which historically we have had.

Mr. BRINKLEY. Well, I think you are right, Senator. I think that one of the things that agriculture generally in this country is suffering from is the lack of knowledge, lack of information, on the part of the general public as to what the farming problem of this country really is. I think that there is perhaps a tendency on the part of the general public to say, "Well, sure, farmers must be in an awful fix. Let's fix up some kind of program for them," and they do not realize that farmers fundamentally need the kind of assistance that would help them help themselves, and they will do it if they have got that kind of assistance and that kind of knowledge and understanding of their basic problems.

Farmers do not want to be a ward of the United States Government. They want to run their own show, and they want to have the kind of stability and earning capacity that other economic groups have, and it cannot be achieved by simply fixing up some kind of special program for special situations.

I think we need a clear understanding on the part of the general public of some of the fundamental and basic problems of agriculture and legitimate aims and desires of the farmers of this country, that we do not want to be forever in a position of having to depend on artificial measures.

We need measures and programs to help us help ourselves, and they will do it.

Senator EASTLAND. You are talking sense now.

Mr. BRINKLEY. Yes, sir.

Senator YOUNG. I have always been amazed at the lack of knowledge of the farm economic situation. I suppose farmers have been broke

for so long that if a farmer happens to drive a Cadillac now it is almost a crime.

Mr. BRINKLEY. Yes.

Senator YOUNG. It is a great news story if a farmer drives a Cadillac. Well, I know of a very few farmers in my State— and wheat farmers are supposed to be getting rich—who have Cadillacs. Actually there are more colored people in Washington, D. C. that drive Cadillacs by far than all the farmers of North Dakota put together. I mean no discredit to colored people either. [Laughter.]

Mr. BRINKLEY. This thing impresses me. We have talked about the enormous progress that has been made in agriculture——

Senator YOUNG. That is a fact.

Mr. BRINKLEY. Made in agriculture in recent years, and we have talked about the technical advances, the increase in mechanization, the application of research findings in agriculture. Sure, we have done that. And when did we do it? We did it in the period when the income of our farmers of this country was at its highest peak. They had the money to risk on these innovations, on these new practices, on new and better machinery and equipment. They could never have done that job had they had the same economic status and level as they did in the thirties, for example. They could not buy a roll of barbed wire fence to keep their fences patched up, much less buy a combine.

Senator YOUNG. You know, I got some new machinery in 1928. That was the last new machinery I was able to buy until the forties.

Mr. BRINKLEY. That is right, yes, sir.

And I saw in that period after the depths of the depression when prices began to recover, trainloads of tractors moved into farming areas in the South, trainloads. They did it because their income was up and their earning capacity up, and had it not been for that higher economic level that they were able to achieve during that wartime period, we could not have supplied our own needs for food and fiber in this country, much less that of all the other countries that were dependent on us.

Now, that thing is of tremendous importance, not only to us but to the rest of the world, because we have got to keep that kind of mechanism strong and operating in this country.

The United States is one of the few countries that has never had to go hungry, and we never had to do it because of the ingenuity and the ability of the farmers of this country, coupled with the higher earning capacity that they had during this period when they were on a good, sound economic basis. And the contribution they have made to the other segments of the economy has never been measured. I doubt if it can be. But it ought to be realized by the rest of the country what that contribution is, and we have got to keep them in a position so that they can continue to make that contribution, not only in their own behalf, but on behalf of the rest of the population of this country and other countries.

Senator SCHOEPPEL. Mr. Chairman, right along that same line, when prices went up, it was due very largely to war conditions that developed, and farmers were required to produce more. You saw the trainloads of tractors going into the South. I saw them going into the West; combines, the same way. We saw fertilization plants moving

into the country, increasing the productivity of the soil. We have geared ourselves to that standard of living, and all of that, and now we find ourselves with a billion-and-three-hundred-and-some million bushels of wheat. You find yourself confronted with 10 million bales of cotton. You find acreage reductions in wheat and other grains, and you find the same thing now in cotton.

I was yesterday on the House side and the fellows down Kentucky way in the burley tobacco industry, and in the other tobacco-producing araas, are being confronted with the same proposition: Surpluses, surpluses, and a decreasing foreign export demand. That is why we are here around this table today.

We have a law, 480, to try to get rid of some of these surpluses, and we say on a competitive basis, in order that the very thing you are talking about can be done, to permit the American farmer to eke out an existence, and he cannot do it if his acreage is cut, if his income is cut, unless the Government subsidizes his operations.

Now, if we subsidize these operations at home in order to do that, and then have to subsidize breaking into the foreign export markets, how long can we continue to do that?

Mr. Brinkley. I do not think we can continue to do it forever, Senator, and I think the problem actually results fundamentally in two problems. One is the short-term aspect. We have these surpluses; we have this enormous productive capacity in this country. Now, certainly we should be examining very closely the ways and means by which we can regain and develop markets, but I have the conviction that for the long pull, the capacity of the American farmer to produce is not susceptible of total consumption until the economy of the rest of the world has recovered and develops to a point where these surpluses can be absorbed.

Now, that may sound like a big undertaking, and it is a big undertaking. But significant progress has been made in recent years, and it has not all come about merely by virtue of our own aid. I think it has been sort of, again, a self-help program; it should have been that.

Unfortunately, it has not been that to as great an extent as it should. And perhaps some things that we have done have tended to induce foreign countries to put too much reliance on what we can do for them.

I think we have got to get away from that.

Now, we know in this country that as consumer purchasing power goes up, immediately your demand for a wide variety of products, agricultural and nonagricultural products, goes up, too. We have in this country a great middle class that consumes much of what they produce, and when other countries can get on the same kind of basis of where they themselves, through increased productivity, through the betterment of the economic condition of the great masses of people, we will find the same kind of thing exerting its influences in that field.

I think that programs designed to help people help themselves have got to be sufficiently emphasized. I have the feeling that we might work with countries to show them the benefits that would accrue to them from greater reliance upon the resources of private industry and private investment capital. There are too many great fortunes in foreign countries being held by too few people; they have been handed down from generation to generation; they have been more concerned with protecting that situation than using those funds for risk enterprises.

If they would establish the kind of economic climate that would attract investment there and from this country, it would be of tremendous assistance to them and would move very rapidly, and we have seen it in country after country where that kind of program has been dramatically successful in a surprisingly short period of time.

I think we ought to be thinking more about that kind of approach.

Our technical assistance porgrams in my own belief have been directed entirely too much to merely increasing production of agricultural commodities, and increased production more or less for the sake of production, rather than for any particular economic end use that might have been foreseen or planned and developed.

Again, that has been a sort of catch-as-catch-can program designed to correct specific and pressing difficulties at the time, rather than the kind of long-range objective plan that would bring into play the resources of the country and of its people on a basis within their capabilities.

It seems to me we must place more reliance on people and their own resources than on governmental capital assistance.

Senator Eastland. Proceed, Mr. Brinkley.

Mr. Brinkley. No small part of such expansion can be traced to our own foreign programs of economic and technical assistance, and also to those of certain of the international agencies. Some countries formerly in a deficit position in certain commodities are now on an export basis, and compete actively in the available markets. Our price-support programs have to a certain extent, in some commodities, been a contributing factor by placing producers of such commodities in a noncompetitive price position. While we recognize the difficulties involved, it would seem to us that in the development of our agricultural programs, we must be more aware of the many types of problems which inevitably confront farmers when the necessity for restricting production accompanies loss of markets for any reason. Thus it becomes imperative that increasingly greater attention be paid to ways and means by which we may be constructively competitive in the retention and development of export markets, not only as to price, but as to terms, credits, deliveries, ocean freight rates, and all of the other factors which are components of competitive forces.

Senator Eastland. Mr. Brinkley, you have made a very able statement. I am very much impressed with your statement and with the statement made yesterday by Mr. Walter Randolph of the American Farm Bureau. I think that both statements were very, very helpful.

Secretary Benson used to be the head of your organization, did he not?

Mr. Brinkley. Yes, sir.

Senator Eastland. I am sure that I share your very high views of Secretary Benson.

Senator Holland?

Senator Holland. Mr. Chairman, I, too, have been impressed by the statement of Mr. Brinkley. But I wonder if he could boil down into a specific suggestion what he thinks can be done with reference to the improvement or solution or at least the moving toward a solution of the problems of the cotton industry, a specific program.

What should we do, first, to reduce the current surpluses; second, to increase the participation in the world markets of our cotton product;

and, third, to build a permanent, prosperous place for our cotton industry?

Mr. BRINKLEY. Well, Senator——

Senator HOLLAND. You understand, I think that your generalities are very, very fine.

Senator EASTLAND. No. He was specific, Senator Holland, when you were not here.

Senator HOLLAND. Would he epitomize the steps that he suggests now?

Senator EASTLAND. Yes.

Mr. BRINKLEY. Well, to summarize briefly and only hit the high spots—and in doing so, I fear that I may omit things of equal importance—but as a rough general summary, I should say that we should be examining very closely ways by which we may develop more effective competition and competitive methods, which involve other factors than merely price——

Senator EASTLAND. But you said price was basic, now.

Mr. BRINKLEY. Yes, price is basic, of course.

Senator EASTLAND. To compete, it is basic.

Mr. BRINKLEY. I think that perhaps more fundamental than the disposition, the immediate disposition, I should say, or the short-term disposition of our accumulated surpluses—and I do not decry the tremendous importance of that—but perhaps of even more importance is the development of the concept of competition and the concept of the relationships with our competitors and with our consuming countries of the kind of market situation that we should have in order to bring stability to markets and stability to production, not only here but in other countries, the point being that when a worldwide commodity such as cotton gets in severe difficulties, that we should not look only to our own producers for the kind of production adjustments that are necessary to bring the thing back into balance, but others have equal repsonsibility and perhaps more of a responsibility if as a result of the operation of our own policies they have unduly or unwisely expanded their own production.

So I think we should make quite clear to everyone that we should not be expected to be solely responsible for the kind of production adjustments that are needed to bring into balance the entire economic picture. It simply is not all of our making nor should it be our job to do the whole job of bringing the thing back into balance.

I feel that we should be thinking further ahead than merely adopting methods and policies designed to move our current suplus stockpile into consumption, that by being too precipitate and too concerned or too anxious to do it, that we might well develop an unstable situation and do ourselves injury in the process.

The principal thing is stability, stability of production and stability of price structure, and stability of competitive methods.

Senator HOLLAND. Mr. Brinkley, I still say that I find your remarks appropriate and I am in accord with them. I have rather hurriedly checked your full statement, and I find at least one specific thing in there which I think is thoroughly sound, and that is that we must not trespass by furnishing poor goods or inferior goods, that we must, in other words, practice honest merchandising.

Mr. BRINKLEY. Yes.

Senator HOLLAND. That is the only specific thing I have heard, but I have not been here throughout your presentation. The rest of the things have been helpful, but general.

Now, we have a specific problem confronting us. We have 10 million bales of cotton on hand. We have an industry which is finding it difficult to adjust itself to production levels that maintain under present law.

The question that I think we most need suggestions upon is what specific steps, now, are suggested and recommended by practical men who, like yourself, are participants in our agricultural industry. What practical steps should we take looking to the solving of this problem that is on our hands, for these two problems, a temporary one and a permanent one, as you well said?

Mr. BRINKLEY. Senator, we have developed here certain specific suggestions with respect to certain specific aspects of the problem, not the least of which was a specific suggestion as to steps that should be taken in order to insure the quality and standards of our transactions on the proper basis.

Another was that we should be thinking about more extensive use of Public Law 480 and the use of the currencies, the foreign currencies accruing under the operation of Public Law 480 for economic development more by private industry rather than entirely by Government; that we should exercise more care in our foreign economic programs to see that they are not used to build up still more competing production, that perhaps there are other areas that they should be used in rather than in order to simply increase the production of these basic commodities; that we should give more consideration to the use of commodities rather than dollars in economic aid programs and in exchange for strategic materials that should be added to our strategic stockpile.

Senator HOLLAND. The law for that, of course, we have now.

Mr. BRINKLEY. Yes.

Senator HOLLAND. Is there any new legislation that you think is needed?

Mr. BRINKLEY. Not at present, Senator. I was surprised to find that the opportunities under the existing law for trading and for meeting competitive situations were as broad as they are.

I think the difficulty has been that they have not been effectively used, and not to the extent that they should be used.

Senator HOLLAND. Then at least one specific suggestion which you made in addition to the one with reference to more honest merchandising is that the administration of existing laws be a more alert one to meet the problems?

Mr. BRINKLEY. Yes, sir.

Senator HOLLAND. But you do not suggest legislation?

Mr. BRINKLEY. I can think of no specific legislation at the moment, sir. I think that we should perhaps exhaust the opportunities under the legislation we now have.

Senator EASTLAND. You say it is not being used. Now, what you mean is that the Commodity Credit Corporation can sell its stocks on a competitive basis; is that right?

Mr. BRINKLEY. Yes, sir.

Senator EASTLAND. But it has not been used?

Mr. BRINKLEY. I think it probably could have been used to better advantage and more extensively perhaps than it has been used.

Senator EASTLAND. Well, it has not been used at all, has it——

Mr. BRINKLEY. I am afraid not, until recently.

Senator EASTLAND. Until recently?

Mr. BRINKLEY. Well, there are some transactions I understand are under consideration that have not yet been consummated.

Senator EASTLAND. That is from the stocks of the CCC?

Mr. BRINKLEY. Yes.

Senator HOLLAND. Of course, in fairness we have got to recognize that the legislation in one breath says, here are new tools to work with, and in the next breath it says, in using them, you must be sure that you do not bring about maladjustment of existing commercial methods of distribution.

Now, the administrator, whom we all, of course, want to be fair to, is confronted with carrying out those two mandates at the same time.

Mr. BRINKLEY. Yes, sir.

Senator HOLLAND. That leaves him in rather a difficult situation, it seems to me.

Mr. BRINKLEY. It does. It is a transaction that has to be very carefully guarded that it does not defeat its own purpose. And I think its primary purpose should be to promote stability in markets and expansion on a stable basis.

Senator HOLLAND. Of course, I think we would all agree heartily with that.

Your feeling now is, to epitomize it, first, that we have plenty of legislation; second, that that legislation permits of the administration of what you think will tend to solve the existing problems in the cotton industry?

Mr. BRINKLEY. Well, it will help. I think it will be an approach. But I still keep coming back, Senator, to my own construction that fundamentally we have two problems that are sharply different, that is, the immediate disposal of our surpluses and the establishment of the kind of economic concept and operation that will keep this thing on an even keel not only here but in other countries.

And I have suggested that perhaps we should consider consultation with other countries, both export and import countries, to see how we might achieve that.

Senator EASTLAND. You say that our export business should be built up to 5 million bales a year. How would you do that?

Mr. BRINKLEY. Well, I think that is set out as a reasonable and legitimate objective.

Senator EASTLAND. I say, then, how would you do it?

Mr. BRINKLEY. I think bringing these competitive influences to bear to a greater extent would be moving in the right direction. I think economic improvement would make a very substantial approach to it. That is the longer range approach to it. I think it is tremendously important.

Senator EASTLAND. How are we going to build those exports up to 5 million bales, now, for the 1954-55 season?

Mr. BRINKLEY. Well, I just——

Senator EASTLAND. Would that take legislation?

Mr. BRINKLEY. That is a problem.

Senator EASTLAND. Would that not take legislation?

Mr. BRINKLEY. I just could not answer that, Senator.

Senator EASTLAND. Senator Scott, do you have any questions?

Senator SCOTT. No.

Senator EASTLAND. Senator Schoeppel?

Senator SCHOEPPEL. No further questions. Thank you.

Senator EASTLAND. We surely thank you, sir.

Mr. BRINKLEY. Thank you. I appreciate your courtesy.

Senator EASTLAND. We appreciate your statement.

Senator HOLLAND. I am appreciative, too, but I am trying to find something that is specific that we can put our teeth into here.

Mr. BRINKLEY. I think we all are.

Senator EASTLAND. Mr. Patteson.

I think Mr. Patteson has some specific proposal; have you not?

Mr. PATTESON. Yes, sir.

Senator EASTLAND. Come around, Mr. Patteson.

Sit down, Mr. Patteson. Identify yourself for the record, sir.

STATEMENT OF ALAN G. PATTESON, MIDSOUTH COTTON PRODUCERS COMMITTEE, JONESBORO, ARK.

Mr. PATTESON. Gentlemen, I am Alan Patteson, of Jonesboro, Ark. I am a cotton producer in Poinsett County, Ark.

Senator EASTLAND. Do we have copies of your statement here?

Mr. PATTESON. Yes.

Senator EASTLAND. Now, what place do you hold in organizations?

Mr. PATTESON. I have been asked to present this statement in behalf of the Midsouth Cotton Producers Committee. That is a committee composed of representatives of five States in the Midsouth. I have five other gentlemen here that I would like to sit in on this meeting who would like to file statements for the individual States a little bit later.

Senator EASTLAND. We are going to do that.

Mr. PATTESON. Fine.

Senator EASTLAND. Now, are you connected with the National Cotton Council?

Mr. PATTESON. Well. I am on the foreign trade committee of the National Cotton Council, only.

Senator EASTLAND. Who composes that committee?

Mr. PATTESON. It is composed of a group of gentlemen in all segments of the cotton industry.

Senator EASTLAND. Who are they? Let us name them.

Mr. PATTESON. I haven't that list.

Senator EASTLAND. Now, you are on the export committee, are you not?

Mr. PATTESON. Yes.

Senator EASTLAND. Who is that?

Mr. PATTESON. I haven't the names of all them, but I think I could get that for you.

Senator EASTLAND. Now, you are on a committee that came to Washington to seek ways to see if the Cotton Council could agree on a program to expand American exports. That is the committee I speak about.

Mr. PATTESON. Yes, I am on that committee.

Senator EASTLAND. Now, what is the name of that committee?

Mr. PATTESON. That is a subcommittee of the foreign trade committee of the National Cotton Council.

Senator EASTLAND. Now, name them, please, sir.

Mr. PATTESON. Well, Mr. Walter Randolph; Mr. Lamar Fleming.

Senator EASTLAND. Who is Lamar Fleming.

Mr. PATTESON. He is chairman of the board, as I understand it, of Anderson-Clayton Co.

Senator EASTLAND. All right, sir. Now who else?

Mr. PATTESON. Mr. Everett Cook.

Senator EASTLAND. Mr. Everett Cook. Does he have international cotton connections?

Mr. PATTESON. That is my understanding; yes, sir.

Senator EASTLAND. Now, who else?

Mr. PATTESON. Mr. Craig Smith.

Senator EASTLAND. Who is Mr. Craig Smith?

Mr. PATTESON. Mr. Craig Smith is the president of the Cotton Mill Association.

Senator EASTLAND. Of the Cotton Mill Association?

Mr. PATTESON. I don't know exactly what the name of it is. It is the American Cotton Spinners Institute, I believe they call it.

Senator EASTLAND. All right, sir. And who else?

Mr. PATTESON. And myself.

Senator EASTLAND. Isn't there a banker on there from California?

Mr. PATTESON. Well, he was appointed, but he did not accept the appointment.

Senator EASTLAND. Now, were you able to agree on anything?

Mr. PATTESON. We have not made our report yet. Yes, we were able to agree on some things.

Senator EASTLAND. Anything that is fundamental, now, to improve this?

Mr. PATTESON. Well, I agree with the things that we have agreed on, yes. However, there are other things that I think should be adopted, that this committee was not able to agree on.

Senator EASTLAND. Why?

Mr. PATTESON. I don't know.

Senator EASTLAND. Well, who was opposed? Let us lay the cards out on the table.

Mr. PATTESON. Well, you understand, now, that we are meeting again, and that the work of this committee has not been completed.

Senator EASTLAND. Yes, sir. But as of this time, who is it that will not permit an agreement on fundamentals that will save the farmers from disaster?

Mr. PATTESON. Well, on a committee of that kind, Senator, really——

Senator EASTLAND. If you do not care to go into it, it is all right.

Mr. PATTESON. I would prefer not to, because I think that committee is really——

Senator EASTLAND. All right. Proceed with your statement.

Mr. PATTESON. Thank you.

Senator EASTLAND. I would like in the beginning for you to summarize the steps that you think should be taken immediately. Just summarize them.

Mr. PATTESON. I shall be glad to do so.

What should be done: Correction of our situation will require a number of remedial procedures. Some of these are urgent and needed to cope with the immediate situation.

The crux of our problem, as I have pointed out, is our price competition in foreign markets. Our first concern, therefore, must be to see that handicap removed and our cotton restored to a fully competitive position. This will necessitate offering cotton for export at prices below the United States support level.

Congress has already legislated ample authority to do so; and there is ample precedent for administrative use of the authority in the export programs of 1939–40 and 1944–45. The President's agricultural trade missions, in pointing out the necessity of meeting price competition in the sale of our surplus agriculture products abroad, justifies exceptions to usual trade principles when necessary to meet exceptional situations.

Now, on page 11 of my prepared statement, Senator, if you want me just to summarize along——

Senator EASTLAND. I would rather you just tell it and then go into your statement. Senator Holland raised some questions that I would like to get answered at the beginning, if you can.

Mr. PATTESON. All right.

Then we recommend that there are quite a few low grades on hand over there that could be sold in the open market today if the CCC would offer them. That can be sold. There is a demand for it. It could be sold in the open market today, low grades, competitively, without cutting the price at which it could be sold in the local markets, from 150,000 to 200,000 bales that have not been offered.

And then we recommend that the line of credit on the Export-Import Bank be liberalized to where this cotton can be financed through from shipside through to finished goods, and we recommend Senate bill 752, to eliminate any buy-back. We are heartily in favor of that.

Senator SCHOEPPEL. By the way, that bill comes up this afternoon.

Senator EASTLAND. It does? Well, we will have to be there.

Mr. PATTESON. We recommend that funds for Public Law 480 should be increased to 1 billion——

Senator EASTLAND. Now, the point has been made about the cost of some program to sell cotton competitively. I believe you say that up to 4 cents a pound—of course, it would rarely reach that—but up to 4 cents a pound it would cost $110 million a year to subsidize exports of 5½ million bales; is that right?

Mr. PATTESON. That is correct.

Senator EASTLAND. What does it cost a year to carry that cotton?

Mr. PATTESON. About $63 million.

Now, the idea of that tariff——

Senator EASTLAND. About $63 million against $110 million. And if we move that much cotton, how much will you increase the farm income of the country?

Mr. PATTESON. Well, basing that on 30-cent cotton, that would be $600 million.

Now, you understand, Senator, per se, in there we are not recommending that there be an export subsidy of any particular amount.

Senator EASTLAND. I understand.

Mr. PATTESON. This is just an example to show, if we do have to sell in competition with the world market, that the cost will not be excessive.

Senator SCHOEPPEL. Now, Mr. Chairman, that depends, of course. Mr. Patteson, I assume that those foreign countries are interested also in protecting their cotton markets, and sales of their cotton in export; they would say, "Well, the United States is reducing their prices to get into a competitive position to move, say, 5 million bales of cotton; so we will drop our price 2 cents."

Mr. PATTESON. Yes.

Senator SCHOEPPEL. Then where are we but off to the trade war?

Mr. PATTESON. Senator, our feeling on that is——

Senator SCHOEPPEL. I am just raising the question, now.

Mr. PATTESON. That is right.

Senator EASTLAND. It will prevent a trade war.

Senator SCHOEPPEL. Is that not a practical proposition we have to face now?

Mr. PATTERSON. That is what quite a few people argue. But our contention is that the very idea of presenting that to them, that we are going to meet world competition, will deter them from doing so. And we also know that; for instance, take the cottonseed oil program that has just gone through. At this time last year we had 1,400 million pounds of cottonseed oil.

Senator SCHOEPPEL. That is right.

Mr. PATTERSON. And everybody made the same contention. They said that if you offer that on the world market, it will break the world market.

Senator EASTLAND. That is, they said if we offered it at competitive prices.

Mr. PATTERSON. At competitive prices.

Senator EASTLAND. That other countries would undercut us and there would be a trade war on; that was the contention.

Mr. PATTERSON. That is correct.

Senator EASTLAND. All right. We did it. We offered it at competitive prices, did we not?

Mr. PATTERSON. That is right.

Senator EASTLAND. All right. Now, what other steps?

Mr. PATTERSON. Well, what happened, as I understand it, immediately when it was offered, the price did break to a certain extent on the first sales, and then the sales from that time on gradually climbed, and as I understand it, the last sales that were made, were the highest sales that have been made during the whole program, and as I understand it, we have gotten rid of over 1 billion pounds of that cottonseed oil.

Senator EASTLAND. Well, we have no surplus now.

Mr. PATTERSON. No surplus.

Senator EASTLAND. And no trade war developed?

Mr. PATTERSON. That is right.

Senator EASTLAND. It showed that the claim was ill founded.

Mr. PATTERSON. And we feel the same thing will happen as far as this cotton program is concerned.

Senator SCHOEPPEL. Now, we have this competitive advantage, Mr. Patterson. We hold the biggest surplus supply of cotton in the world.

Mr. PATTERSON. Right.

Senator SCHOEPPEL. If there should be a cutting of prices below the world market price on the part of some of these countries, they do not have the surpluses that they could feed into the world market, I presume, anything like we could; therefore, only to a limited degree could they carry that off. But it would entail our announcing a pretty definite trade policy that we were going to go out and meet the world competitive market on this cotton up to a certain point?

Mr. PATTERSON. I think very definitely that wes hould announce that we are going to do that, and not specify any particular price. Whatever the world market is, we are going to meet the competition.

Senator EASTLAND. And that would stop this expansion in acreage?

Mr. PATTERSON. We feel that is the only way it could possibly do it.

Senator EASTLAND. The bankers would be afraid to finance a crop?

Mr. PATTERSON. That is true.

Senator EASTLAND. Gentlemen, it is 12 o'clock. S. 752, you say, is coming up this afternoon?

Senator SCHOEPPEL. That is my understanding.

Senator EASTLAND. Suppose we recess, then, until 1:30. We will have to be on the floor if that bill comes up.

(Whereupon, at 12 noon, the subcommittee recessed, to resume at 1:30 p. m., the same day.)

AFTERNOON SESSION

Senator EASTLAND. When the committee convened, Senator Kefauver was present and wanted to introduce Mr. Sid West, Mr. J. T. Haynes, and Mr. J. W. Ramsay, who are his constituents from the State of Tennessee. Senator Kefauver was forced to leave before the appearance of his constituents, and asked me to announce this in the record.

Needless to say, we are sorry that Senator Kefauver was forced to attend the Armed Service Committee, but we are awfully glad to have his constituents with us.

Senator SCOTT. Mr. Chairman, I would like to put in the record the statement of Mr. Tom D. Upchurch, Jr., of Raleigh, N. C., who was supposed to appear here today:

> In 1920 North Carolina planted over 1,400,000 acres of cotton. In 1955 we will plant slightly over one-half million acres. The North Carolina per capita income is 44th from the top. We simply must produce more export markets, the only solution to the problem of all agriculture. We urge adoption of recommendations of producer groups to expand export of cotton.
>
> Serious illness in my family prevented me from appearing.
>
> Respectfully,
>
> T. B. UPCHURCH, JR.,
> *President, North Carolina Cotton Growers Association.*

Senator EASTLAND. Mr. Patteson.

Mr. PATTESON. Senator, as I remember, I was supposed to come back this afternoon and give my idea——

Senator EASTLAND. Start with your statement, and you may add anything you wish.

Mr. PATTESON. Producer aims: Cottongrowers in the Midsouth are striving to attain levels of incomes comparable to those in the rest of the agriculture and in other industries in these United States.

Obviously, productivity per worker in cotton production must be increased greatly for comparable incomes to be realized. Rapid strides are being made in that direction. Another 5 to 10 years are needed for added research advancements and wider spread adoption of efficiencies. Therein lie the fundamental solutions to this Nation's problem in the cotton States.

Present picture: World cotton markets are gradually being taken over by others producing cotton. If this continues, the efficiencies in production, ginning, warehousing, merchandising, cottonseed processing, and cotton manufacturing will tend to fall to even lower levels than they are now.

Here is what confronts us:

1. The export market for United States cotton, notwithstanding a recent upturn, is shrinking and is in danger of being lost.

2. World cotton production continues to outrun world consumption notwithstanding the restrictions on production in the United States.

3. The surplus cotton of the world, over and above the necessary "pipeline" stocks, is largely American cotton accumulating in the hands of the Commodity Credit Corporation.

4. American producers stand almost alone in their sacrifices to bring the world supply of cotton into balance with effective demand. Curtailment of production has now become so severe as as to bring hardship upon great numbers of cotton producers and to threaten the survival of many.

5. Producers of cotton in other countries are increasing their production while American farmers are decreasing. Thus, American producers are being frustrated in their efforts to improve the world supply-demand balance at the same time that they are losing their position in the world market.

6. Our cottons are sought after in the world markets, but in many instances they have not been offered at competitive prices.

7. Government actions and lack of action have been a major cause of the dilemma.

These conditions, if permitted to continue, can result in the virtual elimination of United States cotton in the export market and the restriction of demand to the requirements of domestic mills.

We believe, therefore, that our immediate problem is to restore our cotton export trade. This will require modifications in our agricultural policy to permit our exports to meet price competition abroad. Only in this way can the tide that is running against us be turned in time. We must, in any case, move enough of our stocks to permit a substantial increase in farmers' allotments and marketing quotas in 1956.

To keep a sound cotton economy in this country, a minimum production of 14 million bales per year is necessary. Therefore, we must seek to maintain a fair share of the world market. Based upon our export history, this amounts to an annual minimum of 5 to 5.5 millions of bales.

Senator EASTLAND. Let me say this, I think you are entirely too low. I think that is entirely too modest. The world is undergoing the greatest boom we have ever seen, and we ought to be exporting 8 million bales of cotton.

Mr. PATTESON. We more or less agree with you, but we figured that as a minimum.

Senator EASTLAND. I have found that when you fix a minimum it always becomes a maximum.

You may proceed.

Mr. PATTESON. This coupled with a desired increase in consumption by American manufacturers would provide a firm foundation for an efficient cotton industry for the future.

POINT 1—LOSS OF EXPORT TRADE

Details of the decline of American exports are attached, appendix table I. We have fallen from a level of 60 percent of the world's export trade in the 1920's—roughly 8.5 million bales—to 43 percent or 5.2 million bales in 1948–52. During the last 2 seasons, in spite of big increases in total export trade, United States exports have fallen more than 1 million bales further to less than 30 percent.

In the first half of this season, we enjoyed a modest upturn in our trade, due in part to an exceptionally high rate of mill activity abroad and to the fact that outside of this hemisphere producers have held back their crops to an unusual extent. Sooner or later this cotton will have to come on the market and we shall have to bear the brunt of its competition. Over the longer term we can see nothing in the world situation—certainly so long as foreign production continues to increase—that will reverse the downtrend of American exports since 1951–52.

POINT 2—THE INCREASE OF FOREIGN PRODUCTION

In appendix table II, it is shown that from 1949 to the present the United States decreased its production 2.5 million bales. During the same period other countries increased by more than 7.5 million bales.

In all recent years but one, production has overrun consumption both in the free world and in the world as a whole. The exception was 1950–51 when the United States crop was down by more than 6 million bales from the year before.

The world has continued to produce an excess of cotton in spite of American grower restrictions. This is shown strikingly in appendix table III.

PART 3—ACCUMULATING STOCKS

Stock accumulations are inevitable consequences of continuing excesses of world production over consumption.

The consequence of the failure of the United States to maintain its share of the world cotton trade is that the stock is accumulating almost entirely in the United States.

Importing countries as a group have held generally only about 6 million bales which is barely above their minimum working requirements. They actually held a little less cotton in 1954 than in 1949. Exporting countries other than the United States showed an increase in 1949 to 1954 of less than 600,000 bales, partly accounted for in Brazil. In the United States, by contrast, the stock on August 1, 1954, of about 9,600,000 bales was nearly 4,300,000 bales larger than on the same day in 1949. Had United States exports in 1952–53 and 1953–54 held at the annual level of 1951–52, that is, 5,700,000 bales, the stocks on August 1, 1954, would have been about the same as in 1949. That

is to say this increase of 4,300,000 bales in United States stocks over the 1949 figure would not have occurred, although there would have been an increase of course from the abnormally low levels of 1951–52.

It should be noted that of the 9.6 million bales in the United States on August 1, 1954, more than 7 million bales were in the hands of the Commodity Credit Corporation. In other words, the United States is in effect holding the cotton surplus of the entire world, either owned or held by CCC as collateral on loans to producers.

The above statistical analysis is shown in detail in appendix table IV.

POINT 4—SHARP CUTS IN PRODUCTION

Acreages planted to cotton in this country were reduced by more than 25 percent in 1954 compared with 1953. Allotments were cut another 15 percent for 1955. As things stand now, another reduction appears to be most probable for 1956. These cuts were voted for overwhelmingly by producers who were faced with a choice between 90 percent of parity and 50 percent of parity if they voted them down.

Let us face it. The 10 million national baleage allotment this year means displacement for thousands of farm families and bankruptcy for others. This was shown clearly in a report made at the request of Representative James L. Whitten by the United States Department of Agriculture last month.

POINT 5—WORLD ADJUSTMENTS ON AMERICAN GROWER SHOULDERS

As shown above, foreign production has increased as the United States production has decreased, appendix tables II and III.

The future direction of foreign cotton production plans is shown vividly in information obtained by Senator Allen J. Ellender. Here are some examples:

Egypt: The Government has relaxed acreage restrictions for 1955 to permit an increase of about 350,000 acres. Their yields normally average about a bale to the acre.

Senator EASTLAND. You mean acreage restrictions in Egypt have been relaxed so as to increase their production by 350,000 acres?

Mr. PATTESON. 350,000 acres.

Pakistan: The Government is encouraging greater production of cotton and has announced a production goal for 1957–58 equivalent to about 2,050,000 bales of 500 pounds, an increase of 825,000 over 1954–55. The 1955–56 figure represents 1954–55 production plus one-third of the 3-year increase.

India: The Planning Commission (official agency) has recommended a 5-year-plan goal for 1960–61 equivalent to 4.4 million bales, an increase of 500,000 over the 1954–55 production estimate. Efforts will be concentrated on increasing yields per acre rather than acreage with all the increase in cotton with staple lengths above seven-eighths inch. The 5-year goal envisages self-sufficiency by 1960–61 in all types except Egyptian. Plans for increasing irrigation are included in the cotton program in India and Pakistan.

Brazil: The 1954–55 crop to be harvested during March–June 1955 in South Brazil is up about 235,000 bales because of increased acreage and more favorable weather. The acreage increase is attributed to

favorable prices which, in terms of local currency, include an exchange bonus of nearly 100 percent of the official rate.

Senator EASTLAND. What do you mean by that?

Mr. PATTESON. If you don't mind, I would like for Dr. Sayre to answer that question.

Senator EASTLAND. Would you answer that now, Dr. Sayre?

Dr. SAYRE. I didn't hear the question.

Mr. PATTESON. The acreage increase is attributed to favorable prices which, in terms of local currency, include an exchange bonus of nearly 100 percent of the initial rate.

Dr. SAYRE. Well, simply an exchange mechanism which they have in Brazil which amounts to a bonus for cotton.

Senator SCHOEPPEL. Does that go to the cotton producer, or does it go to the exporter, or how is it handled?

Dr. SAYRE. I am sorry, I cannot give you the details of the mechanics of it, Senator Schoeppel. I don't have them at hand.

Mr. PATTESON. This is a quotation of the letter that was written to Senator Ellender that was furnished to us by Mr. West.

Senator EASTLAND. Mr. West.

Mr. WEST. May I try to answer that? These good farmers don't worry as much about these exchange rates as people who deal in international currencies.

That means if you get X number of their currency to the dollar, if I buy that cotton for export I get twice that currency to the dollar that I would if I used it locally, which means that much export subsidy to me, the buyer and the shipper of that cotton abroad.

Senator EASTLAND. It is an export subsidy?

Mr. WEST. Surely. They don't call it that.

Senator EASTLAND. Proceed, Mr. Patteson.

Mr. PATTESON. Inflation and adjustment of cotton prices on local markets following the announcement of new exchange rates have offset a large part of the gains from the exchange bonus.

There have been no support prices for cotton during the past year but prices received by farmers are reported to be sufficiently high to encourage further acreage expansion next year.

Argentina: Not much information available except that a record crop was harvested last year and another substantial increase was predicted for 1954–55 until unfavorable weather developed. The Government has a schedule of support prices well above the world market level and maintains special exchange rates for cotton exports that balance the books on losses on export sales. An acreage increase is expected next year if preent favorable prices are maintained for growers. Statements of public officials have indicated an ultimate goal of about 1,200,000 bales—about double the present production.

In addition to the above examples, a tremendous increase in the Republic of Mexico and the other cotton growing countries is apparent for 1955. The total increase outside the United States is estimated by many to range between 750,000 to 1 million bales for 1955 compared with 1954.

American cotton producers have been willing to do their share in restoring the economies of free world countries, but they intend to stay in business and cannot accept the present situation as satisfactory.

POINT 6—THE IMPORTANCE OF PRICE

It is obvious to all who are familiar with the market situation that the major factor accountable for the depressed state of our exports is our vulnerability to price competition in the world market. The price disadvantage under which we are laboring made itself sharply apparent about January of the 1951–52 season. Fortunately, our shippers had already sold enough cotton out of the 1951 crop to assure a fairly good export total for that season. But early in 1952–53 foreign cottons dropped in price abruptly——

Senator EASTLAND. That was because of the Brazilian subsidy, was it not?

Mr. PATTESON. I think so.

Senator EASTLAND. Is that right, Mr. West?

Mr. WEST. I think so, sir. I am not sure.

(The following letters were subsequently received for the record:)

JONESBORO, ARK., *March 3, 1955.*

Senator JAMES O. EASTLAND,
Senate Office Building, Washington, D. C.

DEAR SENATOR EASTLAND: In my testimony before your Subcommittee on Disposal of Agricultural Surpluses on March 4, 1955, I said at page 7 of my statement in the first paragraph under Point 6—The Importance of Price: "But early in 1952–53 foreign cottons dropped in price abruptly and sales abroad of American cotton could only be made with the greatest difficulty until early in 1954." The record of the hearings shows at page 383 that you inquired at that point, "That was because of the Brazilian subsidy, was it not?" I replied, "I think so." You then asked Mr. S. Y. West, "Is that so, Mr. West?" Mr. West replied, "I think so, sir. I am not sure."

Mr. West and I have since reviewed the data and find the facts to be as follows:

The action of Brazil in reducing its cotton prices for exports came somewhat later, and the reduction to the level of New York Cotton Exchange quotations which was the first to result in a substantial export movement did not actually take effect until the beginning of the 1953–54 season. Early in 1952 prices of Mexican cotton declined steeply, and in the forepart of the 1952–53 season prices of other competitive cottons, Brazilian excepted, generally registered sharp declines from the levels of the season before.

In order that the record on this point may be accurate, I would appreciate it if the foregoing statement would be inserted.

Yours very truly,

ALAN G. PATTESON,
Mid-South Cotton Producers Committee.

S. Y. WEST & CO.,
Memphis, Tenn., March 8, 1955.

Senator JAMES O. EASTLAND,
Senate Office Building, Washington, D. C.

DEAR SENATOR: First let me thank you for the courtesies and kindness shown me while I was in Washington last week; and then request that a correction be made in my reply about Brazil. Alan Patteson made a statement on page 7, paragraph 1, under Point 6—The Importance of Price: "But early in 1952–53 foreign cottons dropped in price abruptly and sales abroad of American cotton could only be made with the greatest difficulty until early in 1954." Now the records for the hearing show on page 383, which you inquired at that point, "That was because of the Brazilian subsidy, was it not?" Mr. Patteson replied, "I think so." Then you asked me, "Is that so, Mr. West?" to which I replied, "I think so, sir, but I am not sure."

Now I find the action of Brazil in reducing its cotton prices for export came somewhat later. The reduction which was the first result in a substantial export movement did not actually take place until the beginning of the 1953–54 season.

Early in 1952, prices of Mexican cotton declined steeply in the forepart of the 1952–53 season the price of other competitive cotton, Brazilian excepted, generally registered sharp declines from the level of the season before.

That the record on this point may be accurate, I would appreciate it if the foregoing statement would be inserted.

Thanking you again for your kindness, Jim, and with very best regards and assuring you I will be glad to assist in any way possible, I am,

Sincerely your friend,

Sid Y. West.

Mr. Patteson. And sales abroad of American cotton could only be made with the greatest difficulty until early in 1954. Then for about 12 months—that is until recently—the situation was somewhat easier. In the first half of this season foreign crops have moved to market slowly, but they are reported now to be coming out at prices that American shippers find hard to meet.

That our export problem has become more a price problem and less a dollar problem than in the earlier postwar years is evident in a number of ways. First, the restrictions which governments of many of our customer countries heretofore imposed upon the use of dollars by their importers have now been greatly relaxed. The governments of such important users of American cotton, the United Kingdom, Germany, Belgium, the Netherlands, Sweden, Switzerland, and Canada now permit their nationals to buy cotton from the United States without restraint. From time to time, India affords the same privilege.

Senator Eastland. What I would like to know is, Why is it that an export subsidy works for Brazil and it can't work in this country? What is the reason? Why is it that it can work there and they can increase production and increase their exports, taking it away from us?

Mr. West. I would suggest you ask the State Department.

Senator Eastland. The State Department has testified to this committee, sir, that they have never objected to us meeting those prices.

Mr. Patteson. The reason is that we have refused to meet those prices.

Senator Eastland. Isn't the real reason the fact that groups who are interested in Brazil have entirely too much to say about the cotton policies of the United States Government, that they are too influential here at home? Now, isn't that the truth about it?

Mr. Patteson. I do not know, sir.

Senator Schoeppel. Mr. Chairman, I would like to ask this question.

Have members of your organization, or the various organizations that you have been familiar with, ever refused to recognize that maybe we ought to try the subsidy method to meet world competition?

Mr. Patteson. The cotton industry is divided into six component parts, and some segments of that industry would be in favor of one side, and other segments, the other side.

Senator Eastland. There can't be any argument as to where the farmers' interest is?

Mr. Patteson. The farmers' interest is to sell it, even if a subsidy is required. Some shippers probably do not feel that we require it.

Senator Schoeppel. But you say, as Senator Eastland has pointed out here, that from the producers' angle——

Mr. PATTESON. From the producers' angle it must be sold at the world market; yes.

In a number of other importing countries the dollars made available for cotton imports substantially exceed the amounts spent in the United States. In the second place, the total value of cotton purchased from us for dollars in the 1952–53 and 1953–54 seasons—years in which the dollar position of our customers was measurably improved—was substantially less than it was in the years 1946–49 through 1950–51 when severe exchange restrictions were generally in effect in the countries to which we sell.

The President's Agricultural Trade Missions, reporting to the Secretary of Agriculture in June 1954 on their findings with respect to export prices and offered the following recommendations:

> It is basically important to recognize that in order to sell our products in export markets, we must offer them for sale at competitive prices and on competitive terms. We must also realize what is required to meet both the present short-range situation and the long-range situation.
>
> For the short range, it must be recognized that we have laws which establish price supports for some commodities at levels higher than the prices of competing commodities in export markets are at the present time or are likely to be in the immediate future.
>
> If we are to be competitive pricewise in export markts, under these conditions, it will be necessary to resort to some type of governmental export-pricing program.
>
> It is common practice for many governments to carry out similar types of programs. Under such circumstances, it is unrealistic for us to expect to maintain a fair share of export markets unless we are prepared to compete.

POINT 7—GOVERNMENT'S HEAVY HAND IN DILEMMA

United States Government policies and the administration of these policies have been major factors in the buildup of our immediate crisis.

In 1950, the national acreage allotment was established by law at 21,554,594. This was a middle ground figure established by the Congress between the 18-million-acre level sought by the United States Department of Agriculture and 22.5-million acreage sought by producers. Less than 10 million bales were produced. Low-level acreage allotments and marketing quotas put cotton in short supply.

In October of 1950, in consequence of this excessive curtailment of production, cotton export quotas were imposed to protect raw material supplies for American mills during the Korean war. This was soon followed by price ceilings on raw cotton. The American cotton grower bore the brunt of the economic adjustment.

Outside of the United States prices skyrocketed—80 cents and more per pound. The imaginations of foreign producers and foreign investors were fired.

A cry of produce at least 16 million bales rang from Virginia to California in 1951. Another 16 million bale goal was established by our Government in 1952.

Apparently there was a reluctance in 1953 to use acreage allotments and marketing quotas in a timely fashion. Existing supplies and prospective disappearance would have justified production controls.

A request was made to limit plantings voluntarily consistent with 13 million bales. But growers, ginners, warehousers, shippers, cottonseed crushers were tooled up to the 16 million bale level. Then,

too, an acreage history race was on to get history increases for anticipated allotments in 1954. You know the results. We finally got more than 16 million bales on the third year try. We still have a lot of it.

We have held it. Much of the 1953 crop is still in growers hands. Another 1,700,000 bales has been held over by Commodity Credit Corporation from the 1951 and 1952 crops. Some of that cotton has accumulated 40 months and more of carrying charges. This would amount roughly 8 cents per pound on some of the cotton when 20 points per month is used as estimated carrying charges.

Senator EASTLAND. Twenty points is a dollar a month.

Mr. PATTESON. Yes. Of course, there are other carrying points beside that.

Senator EASTLAND. I understand.

Mr. PATTESON. The Commodity Credit Corporation has sold, subsidized, bartered and given away many agricultural commodities. But, it has been inactive in disposing of cotton. Even now, several grades and staples would sell at 105 percent of current support price plus reasonable carrying charges (defined at 120 points). Yet CCC stocks are currently offered only to those with established "buy back rights" under Public Law 480.

Senator SCHOEPPEL. That has been started in a limited sort of way today.

Mr. PATTESON. Which we feel is very fine.

Gentlemen, such actions and lack of action coupled with high level price supports has made it possible for foreign governments and private groups in foreign cotton areas to use our production control program and our "no sell policies" as a gage and an underwriting for their own increased production.

Senator SCHOEPPEL. I would like to ask right there, on the paragraph just before, where you say "But, it has been inactive in disposing of cotton"—and I am talking about the Commodity Credit Corporation as you have related in your first full paragraph on page 10—what excuse or reason did they give you in your segment of this industry for doing that? I am sure you have made inquiry about this many, many times. You are the second gentleman that has come in here and indicated that there were certain grades of cotton that certainly could have been gotten rid of at very substantial prices without losing money, and still they didn't do it.

Mr. PATTESON. The condition on certain grades of cotton changes very rapidly. The disability has just become apparent very recently, you might say within the last 30 to 40 days.

Senator SCHOEPPEL. That is a very short time, I will grant that.

Senator EASTLAND. I would like to say right there, Senator, officials in the Department of Agriculture, when I have inquired of them as to why we had no export cotton policy, stated that we just don't have any, and that it doesn't make sense. They know it doesn't, but they have followed what they have thought was the advice of the cotton industry.

Now, it happens that the groups that they were listening to were not the producer groups. That is my judgment.

Mr. PATTESON. What should be done: Correction of our situation will require a number of remedial measures. Some of these are urgent and needed to cope with the immediate situation.

The crux of our problem, as I have pointed out, is our price competition in foreign markets. Our first concern, therefore, must be to see this handicap removed and our cotton restored to a fully competitive position. This will necessitate offering cotton for export at prices below the United States support level. Congress has already legislated ample authority to do so; and there is ample precedent for administrative use of the authority in the export programs of 1939–40 and 1944–45.

Senator EASTLAND. What you are requesting is that cotton have the same export program that wheat now has?

Mr. PATTESON. We are exporting it for whatever we can get for it.

Senator EASTLAND. That is what is happening to wheat, isn't it?

Mr. PATTESON. I am not too familiar with the wheat program.

The President's agricultural trade missions, in pointing out the necessity of meeting price competition in the sale of our surplus agriculture products abroad, justify exceptions to the usual trade principles when necessary to meet exceptional situations.

Lest a question be raised that the cost of a new export program would be excessive, it may be pointed out, for example, and this is just an example, that at an average season's cost of 4 cents a pound, a program to subsidize 5½ million bales would involve some $110 million. When considering this figure, however, it must be remembered that at a minimum carrying charge of, say, 75 cents a bale per month, the cost to the Commodity Credit Corporation of carrying its present stock figures to something over $63 million a year.

A better basis of comparison is anticipated costs in relation to the loss of income to producers, resulting from the excessive curtailment of production. Coming back to our figure of 14 million bales as a necessary minimum crop, a 10-million bale allotment means a curtailment of 4 million bales. This, at say 30 cents per pound, means a reduction in farm incomes to the cotton community of no less than $600 million.

Senator EASTLAND. That is very significant.

Mr. PATTESON. We realize that to sell cotton abroad at prices below the domestic price would give foreign manufacturers an advantage in our domestic markets for textiles while at the same time increasing the difficulties of our own mills in the export of their goods.

Senator SCHOEPPEL. That is what was brought out by some of the gentlemen testifying here the other day. They realized that there was a hazard in that.

Mr. PATTESON. I realize that the mills' problems and our problems are parallel.

We would feel, therefore, that our American mills should be protected in the domestic-goods market. For the protection of their export trade in textiles, we believe that they should be afforded means to procure the necessary raw cotton at the export price.

Senator EASTLAND. What are you advocating, a domestic subsidy and an export subsidy, or a reduction in the support price, or an export subsidy, which?

Mr. PATTESON. We are advocating selling in the foreign market at the price that is necessary to move the cotton, and then on the basis of——

Senator EASTLAND. And making the same price in this country?

Mr. PATTESON. Just on the amount of—some figure must be arrived at as to the bales the mills have been using for their export goods.

In other words, if they have been using exporting goods, cotton goods, to the extent of half a million bales, they should be allowed to buy that half-million bales at the same price we are selling for on the cotton world market.

Senator SCHOEPPEL. I see your point. You are limiting that to what the export market would be on the finished goods, the goods they manufactured.

Mr. PATTESON. Take the figure, the amount they have been exporting, and allow them that—it is not right for them to lose their export market also.

You see, they not only have their domestic market, but they export cotton goods.

Senator SCHOEPPEL. That is right.

Mr. PATTESON. So the amount of cotton goods—you take an average, probably, a reasonable figure that they have been using in the exporting of cotton goods in those bales, and they should be allowed to buy that cotton at the price we are selling it for in the world market.

Senator SCHOEPPEL. Have you ever taken that up with your association or group, with the manufacturers? Have they indicated any position on that?

Mr. PATTESON. We have discussed it with them a number of times. Now, just exactly the method of how it should be done, and so forth, we have not gone into details about that. But they realize our position, and we realize their position, they are intertwined.

SALE OF LOW GRADES

The Commodity Credit Corporation should offer its accumulated stocks of low grade cotton, some 150,000 to 200,000 bales, from its current holdings of 1951 and 1952 crop cotton. These low grades could be offered even under the policies of domestic sales of 105 percent of the support price plus 120 points for carrying charges.

The present demand for these grades is good and much of the production goes into industrial end uses. It is in such end uses that competition from synthetics is hammering hardest at cotton markets. This cotton is costing the Government 12 to 15 points on approximately 50 to 60 cents per bale per month. Why not sell it now?

That is the cotton we were just discussing.

Senator SCHOEPPEL. If you have a cotton market for that, I would like someone to come up with a justifiable reason why that cannot be done. If we can get rid of 100,000 or 200,000 bales as you suggest here, why in the name of good business didn't we do it if we can get our money out of it and still get that out of surplus?

Mr. PATTESON. We very definitely should.

Senator EASTLAND. Would that be sold domestically?

Mr. PATTESON. It could be sold domestically; there is a domestic demand for it.

Senator EASTLAND. If it is sold domestically that would mean that other cotton would go right into loan to take its place?

Mr. PATTESON. I don't see why it would.

Senator EASTLAND. Well, wouldn't it? I am asking you.

Mr. PATTESON. No. That is the cotton they have had there since 1951 or 1952.

Senator SCOTT. I don't know whether I followed you correctly or not. Do you feel that they are fixing to move that cotton right now?

Mr. PATTESON. We don't know that they are. We hope that they are. We think that they should move it immediately.

Senator SCOTT. By that do you mean 30 to 60 days, something like that?

Mr. PATTESON. I see no reason for delay. I think it could probably be disposed of in 30 to 60 days.

Senator SCOTT. I agree with you——

Mr. PATTESON. It is already cataloged. I am not too familiar with the workings of getting cotton out of loan that way.

Senator SCOTT. I think what you said is right; I just wondered if you felt like there was anything that we might do to speed that up. I feel like we ought to get rid of it, especially if we can get some money out of it.

Mr. PATTESON. I think if you all would talk to the Secretary of Agriculture and say it has been brought to your attention and you can't understand why it hasn't been moved, I think——

Senator SCOTT. I feel like if you have got to buy, you have got to sell.

Senator EASTLAND. Mr. Read Dunn, of the National Cotton Council, is here. Would you care to comment on this?

Mr. DUNN. I don't know what I can say, Senator. There are certain qualities of cotton which are in scarce supply. The value of those cottons increases as the scarcity becomes greater. Some of those cottons in recent weeks have risen in price to where they are equal or above 105 percent of the support level, plus charges. And if those cottons were sold by CCC that would increase the availability of those qualities for the market, both the domestic and export market.

Senator EASTLAND. What grade of cotton is it?

Mr. PATTESON. The scarcity is in low grades of most all staples, and in some of the longer staples the greatest scarcity.

Senator EASTLAND. Well, take a farmer, now, that is carrying low-grade cotton from last year's crop. If that were sold now, how would that affect his cotton?

Mr. DUNN. Well, I think anyone who is holding these cottons, be he a farmer or a merchant, where the market is above this indicated selling price, then——

Senator EASTLAND. He had better sell it?

Mr. DUNN. Yes, sir. I think it is conceivable that it might result in some increased consumption in uses to which these low-grade cottons are put.

Senator EASTLAND. You think this cotton ought to be sold?

Mr. DUNN. Well, I don't have an opinion on it, but you asked for the facts on it. Those are the facts as I know them.

Senator EASTLAND. Thank you, sir.

Senator SCHOEPPEL. Mr. Chairman, please understand I am not an expert, I am seeking information and getting advice here from men skilled in this type of production. But storage charges, interest charges, are going on—I am sure they have got it insured, in a lot of instances——

Mr. PATTESON. Oh, yes, it is insured.

Senator SCHOEPPEL. There is a dead expense that keeps piling up. Somebody is going to have to convince me, if you fellows are right here, that we shouldn't do something about situations like this, or make some suggestions that something be done.

Mr. PATTESON. I agree, Senator.

Mr. Chairman, you asked about affecting the value of low-grade cotton in the 1953 loan. In my own case, before I came up here, I sold about 75 bales of my 1953 low-grade equities for $7 a bale. So that illustrates the demand for that particular kind of cotton.

Senator EASTLAND. Yes, sir.

Mr. PATTESON. Line of credit: Action should be initiated to utilize the newly developed "line of credit" program of the Export-Import Bank to provide raw cotton from the United States on a "floor-plan" credit basis to cotton manufacturers in consuming countries at favorable interest rates. Such credits should cover the period of time usually involved in handling and processing, shipside through finishing.

Senator EASTLAND. Let me ask Mr. Dunn a question right there.

Mr. Dunn, what are the interest rates in Germany and Japan?

Mr. DUNN. They are higher than they are here, Senator. I am not certain of what they are now. My understanding is that prime paper in Germany carries an interest rate of 6 to 8 percent; paper with less security the interest rate would be higher. In Japan I think it is slightly higher than it is in Germany.

Senator EASTLAND. Do you think that if the cotton were financed to the mills at low interest it would be an inducement on it?

Mr. DUNN. It has been proved so in the case of Japan, Senator. The Export-Import Bank loans to Japan have provided that lower interest rates carry through to the spinner, and it has resulted in a saving in the cost of his cotton of several dollars a bale, I don't recall exactly, but I think $6 or $7 a bale, which is considerable.

Senator EASTLAND. Thank you, sir.

Mr. PATTESON. The need clearly exists for the extension of such credits and the policies of the Export-Import Bank should be broadened to include raw materials as well as manufactured products in their line of credit program. I believe that liberalizing the bank's policies along these lines would be in keeping with proposals made public recently by Senators Capehart and Smathers.

We heartily endorse Senate bill 752, introduced by Senators Eastland and Schoeppel to eliminate any "buy back" requirements under Public Law 480. And as I understand, that has just been passed this afternoon.

Senator SCHOEPPEL. Passed the Senate, yes.

Mr. PATTESON. We recommend that funds for Public Law 480 should be increased to $1,500 million. Furthermore, it would be desirable to eliminate restrictions limiting the amount of the funds to be used in any one year.

Of even greater importance, it is our view that soft currency trading under Public Law 480 should not be limited to individual country currencies. We see no good reason, for example, why West Germany should not be permitted to buy cotton from the United States with Turkish lira.

Senator EASTLAND. Now, would that take legislation?

Mr. PATTESON. I don't think so. I think the State Department could O. K. that if that is all that is necessary.

Senator EASTLAND. Is that your view, Mr. Dunn?

Mr. DUNN. I see no reason why it should require legislation, it is primarily a question of the administration of Public Law 480 and if they are willing to take these other currencies. That would depend upon the use they can make of the currencies, I suppose.

Mr. PATTESON. Without such latitude, friendly "hard currency" countries cannot participate under Public Law 480 and a number of favorable markets are thereby eliminated.

We also believe that the CCC should make arrangements for handling their soft currency sales through a revolving fund of such currencies. Logically, of course, the greatest attention should be given to those currencies of which the fund had shortest supply. It appears that such a fund in the hands of a representative of the CCC who was a good tracer would do much toward giving the flexibility needed to move a substantial amount of cotton. In addition, the fund itself could be used in conjunction with the barter program now being conducted by the Commodity Credit Corporation to build up supplemental reserves of strategic materials. These supplemental reserves are over and above those held under the direction of the Office of Defense Mobilization.

SUPPLEMENTAL STOCKPILE BARTER

The surplus commodities, which the CCC is now offering to barter for supplemental stockpile materials, are now limited to dairy products, wheat, and corn. We see no good reason why cotton is not included in barters to build up these supplemental stockpile of foreign strategic and critical materials. With your permission I should like to offer for the record USDA release No. 341–55–2, dated February 8, 1955. This release provides a description of the supplemental stockpile barter program.

Senator EASTLAND. Have you got any figures on what has been moved, dairy products, wheat, and corn, by barter?

Mr. PATTESON. I haven't checked this, I think this is more or less set out in here. This is a United States Department of Agriculture bulletin:

> From July 1 through December 31, 1954, contracts were negotiated for the exchange of surplus agricultural commodities valued at $95 million for strategic and other materials from abroad. During the month of January 1955, firm commitments have been made to move approximately $40 million worth of additional commodities into export through barter activities. This brings the total through January of the 1954–55 fiscal year to about $135 million.

Senator EASTLAND. You may proceed.

Now, right here I have to go upstairs for a minute at 3 o'clock, when the subcommittee takes up the nomination of Mr. Ben Cameron, who has been appointed to the Circuit Court of Appeals, and you will be through with your statement before I get back. Will you please answer the questions now for the record that Senator Holland asked you.

Mr. PATTESON. Yes.

The Senator wanted to know how long I thought it would take if we follow our program of selling in the world market, how long it

will take to bring our surplus down to a reasonable figure. And my answer to that would be to go at it from the angle of carryover, the 10 million bales of cotton on hand, our carryover at this time. Our acreage allotment this year of eighteen-and-some-odd-million acres is based on producing a crop of 10 million bales. That would be a supply of 20 million bales. Domestic consumption, estimating that at 9 million bales a year, and to export the 5 million bales that we asked for, would be a disappearance of 14 million bales. So that we put our carryover down to 6 million bales the first year. So we anticipate with a larger acreage for 1956 we will still have the carryover cut down to what is considered a reasonable figure within 2 years.

Senator SCOTT. Will you repeat the last half of your statement?

Mr. PATTESON. That we feel it should be done within 2 years.

Senator SCOTT. To bring it down to a reasonable figure within 2 years?

Mr. PATTESON. A reasonable carryover figure within 2 years.

Senator EASTLAND. You may proceed.

TECHNICAL ASSISTANCE AND AGRICULTURAL DEVELOPMENT

Mr. PATTESON. We also recommend that our technical-assistance program should emphasize health, santitation, and the raising of nutrition levels. We do not believe that it benefits any foreign country and certainly it does no good to the United States to encourage the production abroad of crops of which there is already a world surplus and of which production is curtailed in the United States.

In the extension of credit for agricultural development in foreign countries we believe that all loan applications should be screened carefully for possible adverse effects on United States producers. We propose that all such loans should be conditioned upon a commitment by the borrower not to use the proceeds to promote increased production of crops which are in world surplus.

LONG-TERM MEASURES

Over the longer term we are confident that the position of cotton can be basically strengthened. Factors that will work to our advantage over a period of time are the upward trend of population and the increase of purchasing power that goes with general economic growth. Much can be done through continued earnest research effort. On the side of production we must push to find new means of increasing productivity and decreasing costs. On the side of increasing consumption we must intensify our researches in utilization and markets.

We would heartily commend the project initiated by the National Cotton Council with the cooperation of the Foreign Agriculture Service for the use of currencies acquired under Public Law 480 for market analysis and sales promotion of cotton textiles in foreign countries. We believe that any effort to enlarge the total consumption is worthwhile and that if we can develop a competitive position we should obtain our fair share of the increase.

We believe that in all cotton-importing countries our Agriculture attachés on their return to the Department of Agriculture should be instructed to use every opportunity to develop interest in United States cotton and to promote its use.

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Meanwhile, we would earnestly ask consideration by the Congress of our immediate plight, and the need for action to be immediately effective. The economy of the cotton States is worth saving—it must be saved. Not only is the welfare of a million and a quarter farm families directly at stake, but the welfare of a great region reaching from the east coast to the west coast is involved. We believe that no other justification of our case is necessary.

In brief, gentleman, in our views the current situation is serious.

The economy of our principal cotton States is shrouded with the world's excess stocks of cotton.

These cotton stocks are tied up in our warehouses.

We believe these stocks should be liquidated.

We believe this could be done with a minimum of disruption of world markets.

We believe that current legislation authorization plus our recommendations would be adequate.

We believe that an astute administrator and trader could do the job handily.

We believe it could be done in ways that would minimize the impacts upon American cotton processors.

We hope that within 5 or 10 years the world's best cottons will be produced with high-level efficiencies in most cotton-producing areas of the United States.

We believe that such attainments would eventually mean comparable incomes and economic stabilization in cotton-growing States.

We believe that action now to stabilize the economies in cotton States is in the national interest.

We share with you the view that a nation must be internally strong to shoulder leadership burdens effectively in a world of realism.

Senator SCOTT (presiding). That is a very fine statement, and the tables attached to your written statement will appear in the record.

(The tables referred to follow:)

APPENDIX

TABLE I.—*Cotton exports: World total, foreign countries, and United States*

[Bales of 500 pounds gross]

Years beginning Aug. 1	World total	Foreign exporting countries		United States		
		Actual	Percentage of world	Actual	Percentage of world	
5-year average:	*1,000 bales*	*1,000 bales*		*1,000 bales*		
1925–29	14,433	5,858	41.6	8,575	59.4	
1930–34	13,260	5,616	42.4	7,644	57.6	
1935–39	13,247	7,658	57.8	5,589	42.2	
1940–44	5,095	3,717	73.0	1,378	27.0	War years.
Annual:						
1945	9,309	5,631	60.6	3,678	39.4	
1946	9,518	5,862	61.6	3,656	38.4	
1947	8,646	6,621	76.6	2,025	23.4	Acute dollar shortages abroad.
1948	10,987	6,026	54.8	4,961	45.2	
1949	12,552	6,548	52.1	6,004	47.9	
1950	11,878	7,598	64.0	4,280	36.0	Exports under quotas.
1951	12,185	6,474	53.1	5,711	46.9	
1952	11,754	8,573	72.9	3,181	27.1	
1953	13,236	9,322	70.4	3,914	29.6	
Aug. 1, 1954, through Jan. 31, 1955.				[1] 2,300		

[1] Estimated.

NOTE.—It will be noted that in the second half of the 1920's—widely regarded by economists as the most nearly normal period between the wars—United States shipped abroad annually more than 8½ million bales and held almost 60 percent of the total cotton export trade of the world. In the second half of the 1930's, a period in which price supports were in effect in this country, shipments still exceeded 5½ million bales and were over 42 percent of the world total. Passing over the war years and the depressed early postwar years to the years of recovery, we see a 4-year revival from 1948–49 through 1951–52. In this period (which included 1950–51, the year of export restrictions) our exports averaged 5,171,000 bales which amounted to more than 43 percent of the world total. In the last 2 seasons, however, notwithstanding substantial increases in total export trade, United States exports have fallen away abruptly.

Source: Foreign Agricultural Service, USDA. The marked upward trend of exports from foreign countries since World War II reflects in part the increases in foreign cotton production as shown in table II. It contrasts sharply with the declining trend in American exports which dropped off abruptly after 1951–52.

TABLE II.—*Cotton production: World total, United States, and other countries, 1949–50 through 1954–55*

	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55	Change 1949–50 through 1954–55		Projected, 1955–56	Change 1949–50 through 1955–56	
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*	*Percent*	*1,000 bales*	*1,000 bales*	*Percent*
World total	31, 166	28, 289	35, 935	35, 876	38, 015	36, 230	+5, 064	+16. 2			
Free world total	26, 689	22, 274	28, 639	28, 896	30, 030	28, 585	+1, 896	+7. 1			
United States	16, 005	9, 878	15, 155	15, 167	16, 404	13, 500	−2, 505	−15. 0	10, 000	−6, 005	−37. 5
12 other major producers	9, 403	11, 252	12, 091	12, 275	11, 919	13, 182	+3, 779	+40. 2			
All minor producers	1, 281	1, 144	1, 393	1, 454	1, 707	1, 903	+622	+48. 5			
Communist areas	4, 477	6, 015	7, 296	6, 980	7, 985	7, 635	+3, 158	+70. 5			
Detail of 12 other major producers above:											
Argentina	515	566	523	580	600	620	+105	+20. 4			
Brazil	1, 350	1, 650	1, 950	1, 600	1, 425	1, 700	+350	+25. 9			
Peru	335	404	427	403	430	450	+115	+34. 3			
Mexico	917	1, 145	1, 280	1, 250	1, 210	1, 720	+803	+87. 5			
Belgian Congo	235	215	255	220	235	235					
Egypt	1, 786	1, 762	1, 673	2, 056	1, 467	1, 500	−286	−16. 0			
Sudan	305	500	285	385	400	400	+95	+31. 1			
British East Africa	344	346	383	361	367	412	+68	+19. 8			
Syria	61	164	225	205	215	275	+214	+350. 8			
Turkey	445	545	610	700	600	650	+205	+46. 1			
India	2, 390	2, 735	3, 160	2, 975	3, 770	3, 900	+1, 510	+63. 2			
Pakistan	1, 020	1, 220	1, 320	1, 540	1, 200	1, 320	+300	+29. 4			
Total of 12	9, 403	11, 252	12, 091	12, 275	11, 919	13, 182	+3, 779				

NOTE.—Important points to note are: (1) That although producers in the United States decreased their production in this period by 15 percent, the world crop including the United States increased by more than 5 million bales. That is to say, production outside the United States increased by more than 7½ million bales. (2) Except for Egypt, which curtailed its cotton production after 1952–53, every other country in the world increased. Major foreign producing countries offset the Egyptian production and went on to register an aggregate increase of over 40 percent. Lesser producers increased not quite 50 percent.

Source: International Cotton Advisory Committee, Statistical Bulletin, vol. 8, No. 2 for data in bales through 1954–55. Substantial increases of production in all countries but Egypt contrast sharply with United States reductions.

TABLE III.—*Cotton production and consumption, free world and total world, 1949–50 through 1954–55*

Year	Free world			Total world		
	Production	Consumption	Excess of production	Production	Consumption	Excess of production
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
1949–50	26, 689	23, 691	2, 990	31, 166	29, 346	1, 820
1950–51	22, 274	26, 520	[1] 4, 246	28, 289	33, 035	[1] 4, 746
1951–52	28, 369	25, 199	3, 440	35, 935	32, 507	3, 428
1952–53	28, 896	25, 952	2, 944	35, 876	33, 730	2, 146
1953–54	30, 030	26, 986	3, 044	38, 015	35, 086	2, 929
1954–55	28, 585	[2] 27, 000	[2] 1, 585	36, 230	[2] 35, 000	[2] 1, 230

[1] Excess of consumption. United States crop curtailed by 6.1 million bales.
[2] Estimated.

NOTE.—In all recent years but 1, production of cotton has overrun consumption both in the free world and in the world as a whole. The exceptional year was 1950–51 when the United States crop was cut by over 6 million bales from the year before. The world has continued to produce an excess of cotton, notwithstanding the restrictions to which American producers are now subjected.
Source: International Cotton Advisory Committee, Quarterly Statistical Bulletin, vol. 8, No. 2, January 1955, Monthly Review of the World Situation, vol. 8, No. 7, February 1955.

TABLE IV.—*Cotton stock: World, importing countries, exporting countries, Aug. 1 of years indicated*

	1949	1950	1951	1952	1953	1954	Change, 1954 from 1949	
							1,000 bales	Percentage points
Importing countries:								
Actual (including afloat), 1,000 bales	6, 109	6, 277	6, 235	6, 902	5, 786	6, 026	−83	
Percentage of world total	40. 6	37. 3	52. 8	45. 6	33. 7	30. 4		−10. 2
Exporting countries:								
Actual, 1,000 bales	8, 922	10, 550	5, 576	8, 240	11, 403	13, 797	+4, 872	
Percentage of world total	59. 3	62. 7	47. 2	54. 4	55. 3	69. 6		+10. 3
Foreign exporting countries:								
Actual, 1,000 bales	3, 635	3, 704	3, 298	5, 451	5, 798	4, 218	+583	
Percentage of exporting countries	40. 8	35. 1	59. 2	66. 1	50. 9	30. 6		−10. 2
United States:								
Actual, 1,000 bales	5, 287	6, 846	2, 278	2, 789	5, 605	9, 576	+4, 289	
Percentage of exporting countries	59. 2	64. 9	40. 8	33. 9	49. 1	69. 4		+10. 2
Held by CCC (including cotton owned and pledged)	(3, 819)	(3, 540)	(79)	(285)	(2, 017)	(7, 015)	(+3, 196)	
Total world stocks	15, 031	16, 827	11, 811	15, 142	17, 189	19, 823	+4, 872	

NOTE.—Stocks in importing countries have held relatively constant and have not much exceeded current working requirements. As world stocks have increased, the accumulations have taken place in the exporting countries, mainly in the United States. Commodity Credit Corporation holdings of stocks owned and pledged reflect this accumulation. The sharp fall of United States stocks between Aug. 1, 1950, and 1951 coincided with the extreme curtailment of production in that year.
Source: Foreign Agricultural Service, USDA.

Senator SCOTT. Have you any further questions, Senator Schoeppel?

Senator SCHOEPPEL. No further questions. I concur that this is a most enlightening statement.

Mr. PATTESON. Thank you.

Senator SCOTT. We will now hear from the Mississippi Delta Council.

Mr. PATTESON. Dr. Charles Sayre is speaking for them.

Senator SCOTT. Doctor, will you give your full name and address for the committee.

STATEMENT OF CHARLES R. SAYRE, CHAIRMAN, EXECUTIVE COMMITTEE, MISSISSIPPI DELTA COUNCIL, SCOTT, MISS.

Mr. SAYRE. My name is Charles Sayre, and I represent the Delta Council of Mississippi.

With your permission, Mr. Chairman, I would like to file for the record our prepared statement with a minimum of comments on the most salient points that are included in it.

First, I would like to point out that in Mississippi, with the combination of drought and the tight acreage restrictions last year, our agricultural income was reduced $113 million as compared with 1953. Mississippi is primarily an agricultural State, with more than 61 percent of the population depending on it for a livelihood, with income from cotton lint and cottonseed accounting for 68 percent of the cash income from farm marketing.

I would like to point out too that on the farm, as you know, our costs have risen very markedly. To name just a few, building and fencing materials are up 238 percent in 1952 as compared with 1940, based on USDA figures. Farm machinery was up 201 percent. Wages were up 399 percent. We feel that with the acreage restriction the shoe has gotten so tight that there is very little left on the farm manager's side to enable him to do, and others to do something to help themselves.

We heartily endorse the statement and proposal of Mr. Patteson which was just made for the whole mid-South group.

That closes our oral statement, and this is the statement in detail.

(The statement referred to is as follows:)

STATEMENT FILED BY CHARLES R. SAYRE, CHAIRMAN, EXECUTIVE COMMITTEE, MISSISSIPPI DELTA COUNCIL, SCOTT, MISS.

Mr. Chairman and gentlemen, my name is Charles Sayre. I am a farmer from Bolivar County, Miss., and chairman of the Delta Council executive committee. Delta Council is an organization representing the interests of the one-half million people of the 18 Delta and part-Delta counties of Mississippi.

We endorse the statement presented for the Mid-South Cotton Producers Committee by Mr. Alan Patteson. Mississippi cotton producers are keenly interested in the problems being considered by your committee at this time. In fact, the economic future of Mississippi and a large part of the South hinges upon the course of action to be determined by this group.

The problem before us today is concerned primarily with the drastic decline and possible loss of a reasonable or fair share of the world cotton export trade. Had we continued to export at a high level, we would not now be faced with a cotton problem.

AGRICULTURAL POPULATION HIGH

In spite of advances in industry, Mississippi is still the most rural of our Southern States. A larger percentage (61 percent) of the population depends upon agriculture for a livelihood than in most parts of the Nation. Even with great progress in crop diversification, income from cotton lint and cottonseed accounts for 68 percent of the cash income from farm marketing in Mississippi.

FARM INCOME CUT

In 1954, farm income in Mississippi suffered a severe reduction. Cotton production dropped 31 percent from the combined impact of drastic acreage controls and the drought. In dollars, this represents a reduction in income of $118 million.

The level of the 1955 cotton allotment will mean another reduction in cotton acreage for Mississippi and probably still lower income for the State, as shown by the following table:

Mississippi acreage, 1953–55

	Acres
Acreage in cultivation July 1, 1953	2, 554, 000
Acreage allotment, 1954	2, 079, 833
Acreage allotment, 1955	1, 750, 852

The delta suffered an even greater adustment in cotton acreage than the State as a whole. Cotton acreage in the delta counties for 1954 was reduced 27 percent below 1953 and the 1955 allotment will bring acreage down to 34 percent below the 1953 level.

IMPACT ON FARM FAMILIES

Our State is made up primarily of small farms. The average acreage per farm in 1950 was 82.3 acres.

According to the results of a recent survey made by the United States Department of Agriculture at the request of Representative Jamie L. Whitten, the reduction of cotton acreage from 1954 to 1955 has displaced 11,981 farm families in Mississippi. Also, an additional 34,414 families with less than $1,000 annual income will suffer a reduction in income of $100 or more.

INCREASED COSTS OF PRODUCTION

At the same time that income of the Mississippi cotton producer has been going down, costs of production have been climbing. Changes in selected farm costs from 1940 to 1952, the latest figures available to us, are as follows:

Farm cost, change, 1940 to 1952 [1]

[Index 1940 equals 100]

	Percent		*Percent*
Seed	260	Farm machinery	201
Fertilizer	159	Feed	251
Building and fencing material	238	Wages	399

[1] U. S. Department of Agriculture.

RELATED ENTERPRISES HIT HARD

Reduced income from cotton is also transmitted to related enterprises and to the general level of business of the State. Compresses, oil mills, and cotton gins are all affected, as are wholesale and retail sales. In our 18 delta and part-delta counties alone, we have 405 active cotton gins which are an important part of our economy. These gins represent an average investment of $100,000 each. Even the most efficiently operated cotton gin must have a high volume to show a profit. At the present acreage level, many gins will not be able to break even.

PRICE SUPPORT WILL BE REDUCED NEXT JANUARY

While further acreage cuts appear probable, at the same time farmers are confronted with a lower parity beginning January 1956. This could reduce the loan rate better than a cent a pound in 1956 when compared with the old formula.

WHAT ACTION TO TAKE?

As we see the problem today, we have two courses before us. First, we can continue to operate as we have in the past. Under this program, the United States producer will make the supply adjustment for the entire world and the United States will continue as the residual supplier in world markets. This will mean another acreage cut in 1956 because of higher per acre yields in recent years. Allotments are based on acreage estimates needed to produce 10 million bales with average production. As average production goes up, the number of acres decreases. At the same time, foreign production will continue to increase and become more firmly entrenched. Thus, the United States share of the world market will become smaller and smaller.

POSITIVE STEPS

The other course of action will require positive action on the part of our Government. First, the announcement that cotton exports shall be maintained at a high level. Last year, at the International Cotton Advisory Committee

meeting in South America, Mr. John Davis, then Assistant Secretary of Agriculture, placed this problem and the responsibility squarely in the laps of foreign cotton-producing countries. He told them that the United States could not stand by if they continued to increase cotton production while we reduced ours through controls.

We wish again to endorse the actions outlined in Mr. Patteson's statement as the logical followup of Mr. Davis' policy statement. Remedial measures should be brought into action in time to lift the level of American cotton production in 1956.

Mr. Sayre. That concludes my statement.

Senator Scott. Senator Schoeppel?

Senator Schoeppel. In your judgment, what percentage of the cotton remains on the farms of your acreage cotton farmers, if any?

Mr. Sayre. Under the existing situation?

Senator Schoeppel. Yes.

Mr. Sayre. Practically all on the average cotton farm is either sold at harvest or goes directly to the Government loan at this point. Very little actually remains.

Senator Schoeppel. That is the thing I was wondering about. In other commodities that are in long supply we find the situation varying, men have storages on their own farms and are able to carry it. Most of this goes under loan, however, and I presume it is the same as yours.

Mr. Sayre. Yes, sir.

Senator Scott. The next witness is Mr. W. T. Carpenter, Louisiana Delta Council.

STATEMENT OF HARVEY P. GRANT, JR., SECRETARY-MANAGER, LOUISIANA DELTA COUNCIL, DELHI, LA.

Mr. Grant. Mr. Chairman and gentlemen, I am substituting for my president, Mr. Carpenter.

My name is Harvey P. Grant, Jr. I am secretary-manager of Louisiana Delta Council domiciled at Delhi, La.

As a member of the Mid-South Cotton Producers Committee, our organization concurs with the statements and views previously presented by Mr. Alan Patteson for the group. We urge your earnest consideration of these proposals aimed at regaining and expanding our lost cotton export markets.

It is my intention to briefly present for your information additional pertinent facts and the sentiment of Louisiana Delta Council as regards some State aspects of the prevailing cotton predicament resulting from loss of our customary foreign cotton trade.

Our organization is an economic federation of the people of Northeast Louisiana Delta region. We represent the common interests of agriculture, industry, education, forestry, and research. The territory served consists of 11 parishes (counties) comprising an area bounded on the north by the State of Arkansas, situated between the Ouachita and Mississippi Rivers and extending southward to the parishes of Concordia and Catahoula.

The Soil Conservation Service calculated that in our area the total land available for agricultural use comprises 3,466,178 acres. Of this amount, 62.4 percent is presently in woodlands. Acreage which could be profitably cleared in the next 5 to 10 years is estimated at 108,000 acres. Continued adverse economic conditions will obviously retard

the development of such land into efficient agricultural producing units.

The income of our area containing 279,000 people is primarily derived from agricultural sources, principally cotton. There are approximately 13,300 cotton farms in our section. They received about 44 percent (283,243 acres) of the total 1955 State cotton acreage allotment. The reduction in 1955 cotton acreage allotments from 1954 will result in an estimated loss of about $4 million to our section in cotton revenue alone.

I should like to state here that estimated losses in both area and State cotton income comparing 1955 to 1954 are computed from United States Department of Agriculture statistics secured from the Agricultural Marketing Service. These figures are based upon actual 1954 prices received by farmers coupled with official production records for Louisiana.

This financial catastrophe follows a 3-year period of extensive severe drouths. In 1953 and 1954, every parish in our territory was officially designated as a drought disaster area eligible to receive Federal assistance. Confronted with current conditions and faced with forebodings of further reductions for 1956, is it any wonder that our cotton farmers are asking when a stopping point will be reached? How much longer shall our national policy encourage the production of competitive cotton in the free foreign countries of the world while American farmers are being reduced to bare minimum plantings with subsequent detriment to our entire economy?

The following figures illustrate the drastic acreage reductions under allotment programs for approximately 61,000 Louisiana farms during the last 3 years in which cotton plantings were restricted:

	Acres
1950	876,350
1954	750,400
1955	648,400

The human aspect of American cotton acreage reduction is most evident in a recent USDA survey made at the request of Congressman Jamie L. Whitten (Democrat, Mississippi), chairman of the House Agriculture Appropriations Subcommittee. Conducted on a county-by-county basis through the southern Cotton Belt, the survey estimated that 1955 cotton acreage cutbacks will force 55,348 families off the farm and will reduce the income of an additional 130,603 families below recognized subsistence levels. In Louisiana an estimated 3,395 tenant and sharecropper families will be forced from farms. Another 6,649 families, whose 1955 cotton acreage allotment is 5 acres or less, will have their already low 1954 income reduced by at least $100 in 1955.

Farm population has already decreased by 9 million persons during the past 15 years despite the tremendous growth in United States population. The rates of agricultural wages during this period have increased by 4 to 1 while industrial wage rates have risen in the ratio of 3 to 1. As pointed out recently by the National Cotton Council, this exodus from the farm coupled with the rise in the cost of farm labor has been felt with special keenness in the South.

Gerald Dearing, markets editor, Commercial Appeal, Memphis, Tenn., states that it is not enough to point out that by 1957 the pre-

dicted population of the United States will have increased so much that the country will be hard pressed to supply the needs for food and fiber. The tenants, sharecroppers, and renters who have been forced from the farm to the relief rolls by lowered cotton acreage allotments will tell you that 20 years is a long time to be hungry.

We maintain vigorously that there exists today a grave public misconception that the present surplus is practically solely due as a result of our price-support program. This erroneous view constitutes a direct and constant threat to the financial well-being of our farmers. It should be immediately and officially exposed as a fallacy. We contend sincerely that the present surplus situation and attendant ills exists as a result of a combination of several other major factors also. These include the recent responses of farmers to wartime demands; failure to offer to sell our products competitively in world markets, and the existing uncertainty of world affairs.

Our present reduced agricultural income and the economic future confronting farmers are not a pleasant prospect. In closing, gentlemen, may we urge that you strive to expedite the solution of our agricultural export problems by definite remedial action as soon as is possible.

Mr. Chairman, and members of this committee, please be assured that their views are expressed with the interest of promoting a prosperous, sound, and free cotton economy and in the interest of the national welfare.

Thank you for your courtesy, Mr. Chairman.

Senator SCOTT. I would like to ask you a question there. I believe you stated that you were somewhat of a chamber of commerce man as well as in the program of your association.

Mr. GRANT. Yes, sir.

Senator SCOTT. Do you have any opinion on whether the soil-conservation program payment should be linked with crop control, or should it be free and independent of that?

Mr. GRANT. Heretofore they have always been linked up with them. And the bulk of our farmers, I would think, just my personal opinion, go along with that sentiment.

Senator SCOTT. I don't quite go along with you, but it is all right. I asked for your opinion.

Mr. GRANT. That is right.

Senator SCOTT. I think we have got to maintain soil fertility, and that is as basic as anything I can think of, to maintain soil fertility, for all people. And to do that there shouldn't be a discouragement for complying. But I am glad to get your opinion on it.

Now, another thing you talk about is 100,000 acres that within the next 10 years you could put into the production of cotton if the market would justify.

Mr. GRANT. No, sir; not into the production of cotton, they could be brought into agricultural production.

Senator SCOTT. Now, my State is one of the biggest users of lumber from the Mississippi Delta down there, because I have tried to sell some in competition with it, for furniture manufacturing. You produce a lot of good timber down there. Now, is it going to be advisable for you to get out of timber production and get into agricultural production?

Mr. GRANT. No, sir; it is not.

Senator SCOTT. We think you are doing mighty well down there with your timber.

Mr. GRANT. We are. We are strictly in the hardwood area similar to the Mississippi Delta.

Senator SCOTT. We use the hardwood in North Carolina in the furniture industry, as you know, sir.

Mr. GRANT. That is right. And we maintain that it will still be the best agricultural practice in the world to keep a lot of that acreage in woodland.

Senator SCOTT. I think you are right, if you follow good forest culture.

Mr. GRANT. Yes, sir. They can make money off of it in our section.

Senator SCOTT. Senator Schoeppel?

Senator SCHOEPPEL. I imagine quite a bit of that land would lend itself to small-grain production, wouldn't it?

Mr. GRANT. Yes, it would, Senator. Quite a bit of our land, however, along the front, along the river sections, is going to soybean production, and has been for some time. We can also grow wheat down there.

Senator SCHOEPPEL. That is what I was afraid of.

Senator SCOTT. Senator Holland?

Senator HOLLAND. No questions.

Senator SCHOEPPEL. I might indicate to Senator Holland that during his absence Mr. Patteson, at the request of Senator Eastland, testified for the record with respect to a question you raised. If I remember his testimony correctly, he indicated that we were moving ahead on this program rather vigorously and in about 2 years would get the cotton started down to some reasonable proportion.

Senator HOLLAND. I see.

Senator SCOTT. We will now hear from Mr. Harvey Adams, who is secretary-manager of the Agricultural Council of Arkansas.

STATEMENT OF HARVEY ADAMS, SECRETARY-MANAGER, AGRICULTURAL COUNCIL OF ARKANSAS, WEST MEMPHIS, ARK.

Mr. ADAMS. Thank you, Mr. Chairman.

I am not even going to sit down. I am Harvey Adams, of the Agricultural Council of Arkansas.

I would like to explain—of course, maybe you have already sensed that—that several of our organizations in the Midsouth have participated in preparing the testimony and making up the material, the testimony that was presented by Mr. Patteson.

Mr. Patteson is the chairman of the Foreign Trade Committee of our Midsouth groups. And he also happens to be a past president of my organization, the Agricultural Council of Arkansas. So in the interest of time, I will just file our statement, which is a statement supporting the testimony which has been given by the Midsouth group.

(The statement referred to is as follows:)

STATEMENT FILED BY HARVEY ADAMS, SECRETARY-MANAGER, AGRICULTURAL COUNCIL OF ARKANSAS, WEST MEMPHIS, ARK.

My name is Harvey Adams. I am secretary-manager of the Agricultural Council of Arkansas, a nonprofit organization composed of a large percentage of the producers of cotton and other agricultural crops in eastern Arkansas.

First, I would like to express our appreciation for the opportunity of appearing before this committee and presenting to you a statement which we feel represents the thinking of a majority of the cotton producers in our area.

We can definitely assure you that producers in our section are vitally concerned and anxious to reduce agricultural surpluses, especially cotton, and are convinced that the only feasible and equitable method is by acreage allotments and marketing quotas. Thinking farmers do not view this as bureaucratic governmental control, but rather as administration and refereeing of a production program, the rules for which they through their congressional Representatives set up and further safeguarded by requiring a farmer vote of approval each year. Cotton farmers know from sound reasoning and past experience that a reduction in support prices even as much as 15 percent will not reduce the planted acres unless acreage allotments are in effect. In fact it will encourage an increase in planted acres to (1) increase income from the total farm investment, and (2) establish planting history in event of future allotments.

Due principally to the advice and urging of the Department of Agriculture and the land grant colleges, most good cotton farmers have through the past years diversified their farming practices. Many are now looking at this as a very dubious venture as due to acreage allotments on most cash crops they are faced with heavy investments in different types of farm machinery with insufficient acreage on any one to permit an efficient or profitable operation. The overall reduction in acreage planted to farm crops during the past 5 years has resulted in a great many sharecroppers and renters being forced off the land and small landowners in many instances have insufficient acreage to make a subsistence living let alone to pay off any mortgage debts on land or equipment. The following figures indicate the reduction in acreage planted to cotton alone during the past 5 years:

Year	Cotton planted	Reduction from previous year
	Acres	*Acres*
1951	28,195,000	
1952	27,185,000	1,010,000
1953	25,244,000	1,941,000
1954	19,961,000	5,283,000
1955 (proposed allotted)	18,113,208	1,847,792
Total 5-year reduction (approximately 35.7 percent)		10,076,792

The present situation and the prospects for the immediate future have a great many cotton farmers and their lending agencies alarmed. In addition to drastically reduced crop production they are faced with a new parity formula which we are told will lower the support price for cotton over 1½ cents a pound and with the prospects of a sliding scale which could lower supports another 5 or 6 cents a great many are fearful of what the future may hold. Some are of the opinion that the solution may lie in the consolidation of many small farms and specialization on particular crops in order to produce efficiently and obtain a fair return on their investment. This is, of course, looking at the problem from a cold-blooded business point of view and does not take into consideration the human angle. Many of these small farmers have tilled the soil all their lives and that is all they know. It is doubtful that they or their families could be used on these new-type farms as they probably will be highly mechanized. Unless some other solution is forthcoming it looks as if the much-publicized family-type farm is definitely on the way out. The only alternate solution which appears feasible and attainable at the present time is to increase the use and sale of cotton both at home and in foreign countries.

Cotton producers are grateful and appreciative of the fine work being done by the National Cotton Council to promote the use of cotton in the United States and perhaps eventually abroad. However, this is but a drop in the bucket compared to the advertising done over the radio, television, and by every other possible means by the processors and distributors of grain-food products. Yet there is an even greater surplus of grains than there is cotton. While not discounting the possibility of a substantial increase in the domestic consumption of cotton due to population increase and the eventual recognition of the unexcelled qualities of this fiber, we are of the opinion that our immediate salvation lies in the capture of a much greater share of the foreign market made possible by our tax dollars.

Farmers who are cutting their own planted acres to reduce the cotton surplus are greatly disturbed at the reports of increased acres planted to cotton abroad and that some American shippers would just as soon, if not rather, sell foreign as American cotton to fill their export orders. They are also incensed over rumors that American foreign-aid money and American technicians have greatly contributed to the present and proposed further expansion of foreign acres planted to cotton at the expense of our farmers.

American cotton producers have been told that a price concession would move considerably more cotton into foreign trade. On the other hand, our domestic mills have warned that this practice would probably result in lower priced foreign cloth being sold in this country to the detriment of domestic mills and domestic cotton consumption. Let it be said right here that American cotton producers do not want to do anything which they are reasonably sure will adversely affect domestic mills. And neither do they want to contribute to or be the cause of any sustained or drastic break in the world price market. They do feel, however, that some way should and must be worked out, immediately, to discourage the expansion of foreign acres planted to cotton at the expense of the American farmer, and also enable him to secure an equitable share of this business. Many are of the opinion that meeting competitive cotton prices on the foreign market would not necessarily mean any substantial lowering of the market price. Neither do they share the view that if American merchants do not meet competitive prices abroad and thereby lose this business to other exporting countries that American mills will be any better protected against lower priced imports of cloth.

We are very appreciative of the efforts being made by the Secretary of Agriculture, Mr. Benson, the Foreign Operations Administration, and others to move additional cotton through Mutual Security Act, Agricultural Trade Development and Assistance Act, Agricultural Act of 1949, and other such legislation. We are becoming suspicious, however, that so far industry and commerce as well as some other agricultural commodity producers have been much better salesmen or at least have more actively pushed their products than has the cotton trade.

We note from testimony of Secretary Benson and other officials of the Department of Agriculture before the House Subcommittee on Agricultural Appropriations that considerable progress has been made in coordinating the thinking and efforts of the 7 or 8 agencies involved in the various committees administering agricultural surplus disposal programs. We were also impressed by the statement made by Mr. Richards, Deputy Administrator, Price Support, Commodity Stabilization Service: "I think one of the things you have to consider is that we are probably going to export 4.5 million bales under present policies without the Government selling any out of its stocks. If we were to sell actively out of our stocks at the best price obtainable, I think that would probably mean that the total would amount to 6 million bales instead of 4½, but whether there would be any net gain in dollars, I do not know."

Mr. Chairman, cotton producers are vitally interested in stopping the increase in cotton production in foreign countries. If this is not done the long-range cost to cotton farmers individually and the economy of the country as a whole will be something terrific. We feel that the most careful consideration should be given to using present authority under the charter of the Commodity Credit Corporation to sell cotton competitively on the foreign market. We think this should be given a trial. We note also that the Department of Agriculture listed the following marketing programs that amount to a two-price system:

"1. Section 32 export payment programs, under which the Department makes an export differential payment to exporters to encourage increased exports. Two such programs are currently in effect:

Fresh and processed citrus:		
Fresh oranges	cents per box	75
Fresh grapefruit (comparable rates on processed citrus)	do	60
Raisins	cents per pound	1½

"2. International Wheat Agreement: The Department makes payments to exporters to cover the difference between the United States price and the price under the agreement. The average rate of payment for the fiscal year 1954 was 50.8 cents per bushel. The current rate is 75 cents per bushel.

"In addition, CCC makes wheat available for export, as either wheat or flour, from its own stocks on the same terms at which sales are made under the agreement.

"3. CCC sales at less than domestic market prices: Under the provisions of the Agricultural Act of 1949 and the CCC Charter Act, CCC can sell any commodities for export without restriction as to price. Currently (January price list) CCC is offering to sell for export at prices below domestic market prices:

Cheese	Rye	Cottonseed oil
Butter	Barley	Pinto beans
Nonfat dry milk	Dried whey	Linseed oil
Oats	Grain sorghums	

"4. Public Law 480: Commodities will be sold by CCC under Public Law 480 for foreign currencies on the same price basis on which they are available for dollar transactions under other CCC export programs.

"5. Barter: From its own inventories, CCC arranges to release against barter contracts an equivalent value in agricultural commodities based on the same prices at which they are available for dollar transactions under other CCC export sales programs."

We wish to commend the Congress for enacting legislation placing agricultural attachés under the Department of Agriculture and for proposed legislation eliminating the provision requiring shippers operating under Public Law 480 to replenish stocks from the Commodity Credit Corporation. We feel also that the provision that exports of United States agricultural products as it relates to cargo space requirements in United States ships should be eliminated.

We strongly feel that it should be recognized policy for future legislation and adminstrative action that cotton exports shall be maintained at a level which with domestic consumption will permit cotton farmers to consistently maintain a level of production that will assure some economic stability. Also that all governmental agencies in their administration of surplus disposal and foreign-aid programs give greater consideration to the economic plight of agriculture in the United States as well as that in foreign countries.

Senator Scott. Thank you.

Mr. Haynes, of the Tennessee Cotton Producers Association. He is the manager.

STATEMENT OF J. T. HAYNES, MANAGER, TENNESSEE COTTON PRODUCERS ASSOCIATION, BROWNSVILLE, TENN., ALSO REPRESENTING THE TENNESSEE GINNERS ASSOCIATION

Senator Scott. Will you give your name and connection?

Mr. Haynes. Mr. Chairman and gentlemen, my name is J. T. Haynes. I am a cotton farmer from Brownsville, Tenn. I appear today representing both the Tennessee Cotton Producers Association and the Tennessee Ginners Association.

Efforts to adjust cotton production in line with demand have worked a particular hardship on farmers in Tennessee. Our farmers have been willing to submit to the principle of acreage allotments, recognizing that such action was necessary to maintain proper supply and demand relationships. We do not believe the United States cotton farmers can make the supply adjustment for the entire world—nor should we be asked to if we could.

In Tennessee we have 61,900 farms growing cotton. This does not include tenants, sharecroppers, and sharerenters. Cotton is produced in 52 counties in Tennessee and income from cotton represents a high percentage of the total farm income in the majority of these counties.

Our State has an unusually high percentage of small farms on which cotton is produced as the chief cash crop. The size of cotton farms in Tennessee can be seen by the following table furnished us by our State ASC committee:

1954 acreage allotments grouped by size

Size of allotment acres	Number of farms	Percent	Size of allotment acres	Number of farms	Percent
0 to 4.9	20,950	33.8	30.0 to 49.9	1,540	2.5
5.0 to 14.9	33,540	54.2	50.0 to 99.9	880	1.4
15.0 to 29.9	4,710	7.6	100.0 to 499.9	280	.5

You see, there are 33.8 percent of our people under 5 acres. There are 54.2 percent under 15 acres.

Senator HOLLAND. Between 5 and 15.

Mr. HAYNES. Yes, between 5 and 15. And there is 7.6 percent between 15 and 30 acres. And there is 2.5 percent between 30 and 50 acres. And there is 1.4 percent between 50 and 100 acres. And one-half of 1 percent between 100 and 500 acres.

Now, you can see what has happened in our State. As you see in our statement, we are diversified in our State, and in doing that we have spent thousands of dollars from the agricultural extension system to live at home and not have a one-crop system. You can see by the number of people that are on the farms that we can't exist by taking these cuts. We went on down to the 5 acres part of it, but we have people who are just as bad, between 5 and 15, because maybe the man with 5 acres has nobody but himself and his wife, while the man with from 5 to 15 acres probably has 5 to 6 children, and they will have an average of 40 acres of land.

You see, they are all small farms. You cut them up, you can't go into soybeans, you can't go corn or have cattle, to where you can make a living. And they have got payments to meet on their farms. So our country is almost bankrupted from the curtailment of acres in the past.

A large number of small farmers are being forced out of cotton production due to additional acreage cuts in 1955. According to a recent survey made for Congressman Whitten by the USDA, 3,075 tenants and sharecroppers have been forced off Tennessee farms by the reduction in cotton acreage for 1955. That doesn't say anything about how many went out the year before.

Senator SCOTT. But where did they go?

Mr. HAYNES. In a lot of instances, the landowners are letting them stay on in the houses. I don't know what is going to become of them. Some of them have moved to town. The landowners are saying, "Get along as well as you can." We have got people back there that are in as bad shape as they were in 1930. And a man with 6 or 7 children that has been growing 15 or 20 acres of cotton and is down to 8 or 10 during the 2-year period, of course, when he goes to the bank he is not going to get very much money.

You take in my county alone, we grew last year over $4,600,000 less cotton, and we grew 59,000 bales in 1953. And in 1954 we grew 35. So you see how the curtailment of the acreage has affected us, and the drought also.

Loss of income and the displacement of farm families, of course, has a drastic effect on the economy of the entire area, not to mention the hardships imposed on the displaced families. Many of these people have no place to go and they cannot be readily absorbed in

urban industry. While we are giving so much attention to building up the economies of foreign countries to combat the spread of communism throughout the world, we are overlooking the fact that many of our own people are being forced out of production employment. Farm labor once dispersed cannot be reassembled easily if and when high acreages are available. Thus, the impact of low cotton acreage in 1955 will leave many farms without the labor that will be needed in future years. While rapid strides have been made in adopting laborsaving practices, cotton production still requires a high output of hand labor, especially in areas where the terrain is not conducive to use of machines.

As we see the problem, the future of the United States cotton producer is being jeopardized by the loss of our historical export markets. This market is being rapidly taken over by foreign production which, in turn, has been stimulated and encouraged by action of our own Government. The outlook for the future indicates a continuation of this trend unless positive action is taken immediately.

We therefore endorse the recommendations which have been presented by Mr. Alan Patteson for the Mid-South Cotton Producers Committee.

Senator Scott. Do you feel like it is going to be some time before the mechanical cotton picker will get to the small farm, like it has with the combine in the case of wheat in a neighborhood, and things like that?

Mr. Haynes. Yes, I do.

In the first place, in our State, you see, we are small farmers. And another thing, the contour of the land, all of our land is terraced there. If you are a good farmer, you will terrace land, but about 2 rows is as far as you can get in sloping land, which the majority of it is; we have very little tableland, flatland. And the people are there, and I don't know what we are going to do with them.

Senator Scott. Your land is a lot like that in North Carolina, isn't it?

Mr. Haynes. I think so.

Senator Scott. And the people are much the same.

Mr. Haynes. We have got 61,900 farms growing cotton, and we have got less than 10 acres of cotton on the average farm in the State.

Senator Scott. Do you think your people have been better off over there by deciding you didn't want to be part of North Carolina?

Mr. Haynes. I think we would join if you would help us any.

Senator Scott. Not many people know it, but North Carolina used to extend to East St. Louis.

I know many of your families out there, and I have known them for years.

Mr. Haynes. My people came from North Carolina.

Senator Scott. They didn't show good judgment in leaving, but it is good to know that.

Are there any further questions?

Thank you very much.

The Missouri Cotton Producers Association, Mr. Bracey, president.

STATEMENT OF HILTON L. BRACEY, EXECUTIVE VICE PRESIDENT, MISSOURI COTTON PRODUCERS ASSOCIATION, PORTAGEVILLE, MO.

Mr. Bracey. Mr. Chairman, I am Hilton L. Bracey. I am a cotton producer and executive vice president of the Missouri Cotton Producers Association. With your permission, I will file my statement for the record and just make a couple of comments on some points that have already been made here today.

(The statement referred to is as follows:)

Statement Filed by Hilton L. Bracey, Executive Vice President, Missouri Cotton Producers Association, Portageville, Mo.

My name is Hilton L. Bracey. I am a cotton producer and executive vice president of the Missouri Cotton Producers Association. As you know, cotton farmers have always demonstrated their willingness to comply with production controls. As a group, farmers recognize the necessity of cetain production adjustments as a condition for realistic price supports at not less than 90 percent of parity. There is a limit, however, beyond which farmers cannot go in their efforts to maintain a healthy world supply and demand situation.

Farmers have tremendous investments in land, tools, and equipment. They must meet fixed production costs, taxes, mortgage payments, interest, and basic living expenses. American farmers simply cannot live with the current 10 million bale national marketing quota for cotton—a quota that limits production to slightly more than domestic consumption.

The cotton industry in general, and cotton farmers in particular, are faced with the hard fact that nothing less than the production of 14 million bales of cotton will allow the industry to maintain its rightful place in the national economy.

Right now it appears that the fate of the American cotton farmer hinges on two points: (1) liquidation of the current American cotton surplus. A surplus that has reached disturbing proportions and which hangs over the entire industry like a deadfall. (2) An increase in the 1956 and future acreage allotments sufficient to boost cotton production in this country to not less than 14 million bales annually.

Our Government's answer to the cotton surplus has been increasingly stringent acreage allotments. Our cotton producers have accepted this method as no desirable alternative has been offered. Yet, the world market is good, prices are reasonably competitive, and every acre withdrawn here is matched season-to-season by increased plantings amoung our trade neighbor nations. While allotments are being squeezed downward in this country, our foreign aid programs are promoting acreage expansion and more efficient production methods in other countries at the expense of our own markets. Cotton farmers are willing and anxious to do their share in building the ecnomy of the free world. They are unwilling, however, to continue a policy leading to economic suicide so that foreign producers, and American operators with offshore holdings, may profit at their expense.

"Where do we go frome here?" is the question uppermost in the minds of cotton farmers today. This year, 1955, unrealistic acreage allotments are causing thousands and thousands of tenants and sharecroppers to lose their homes. Large numbers of landowners are discovering that potential income from reduced cotton acreage will not meet fixed costs and living expenses. As a result credit is extremely tight in most cotton producing areas and the farmer finds himself in an economic straitjacket. Generally speaking gross income from cotton is about double that of any other crop adapted to the historic cotton-producing area. It follows therefore that the entire economy, and not only cotton farmers will be adversely affected by the heavy curtailment of cotton acreage. Another vital consideration is the shift to production of other crops already in heavy supply that will eventually mean restrictions to other agricultural producers.

There has been a great deal of talk about population increases and increased per capita consumption as long-range solutions to the overall cotton problem. To be realistic about the matter we can find little, if any, hope for increasing per capita

consumption in time to save the American cotton producer. And unless the current trend is reversed, additional foreign consumption, if any, might well go to foreign producers.

A strong movement of current stocks could well turn the tide in foreign production. At least it would have the effect of crowding our competition into a position where they would recognize that our Government is going to regain and hold a fair share of the world cotton market. It should be our policy that adjustments in world supply and demand will be borne by the entire world and not by American producers alone. It would also be a clear-cut notice to foreign cotton areas that the American price-support program is not necessarily a gage by which to plan foreign production. We believe that our foreign competitors are shrewd businessmen and that mere statements regarding our position will have little effect, if any, on their plans for the future. We are advocating action that will demonstrate our intentions to stay in the cotton business—and we cannot produce less than 14 million bales and stay in business—and 5 million bales of this production must go into export channels.

In our zeal to move cotton into export channels we, of course, do not overlook the vulnerable position of American cotton mills. Our domestic market is by far the most important to the American cotton producer and any program designed to expedite exports should, to the extent practical, protect the interests of American mills.

We respectfully offer the following suggestions for your consideration:

1. Make immediate sale of low-grade stocks of cotton from the 1950–51 and subsequent crops.

2. Begin immediately to program 4 million bales of CCC-owned stocks (including takeover July 1, 1955) for sale in the export market during the next 2-year period.

3. Expedite actions under Public Law 480 by:

   (*a*) Eliminate provision requiring shippers to replenish stocks from CCC.

   (*b*) Centralize administration of program in the USDA.

   (*c*) Eliminate provision relating to the movement of United States agricultural products as it relates to cargo space in United States ships.

4. Discontinue under the technical assistance program promotion of cotton and other commodities that are in excess supply in the United States.

5. That actions be initiated to fully utilize lines of credit of the Export-Import Bank.

6. That Public Law 480 funds be increased to a level consistent with the potential effectiveness of this authority to move surplus American commodities, and that no restrictions be placed on the amount to be spent in any 1 year.

Again, gentlemen, we appreciate this opportunity to appear before your distinguished committee. Thank you very much.

Mr. BRACEY. First of all, I want to endorse and associate myself with the statement made by Alan Patteson on behalf of the Mid-South Cotton Producers Committee.

I think we are all agreed on this. Our farmers in this country can't live with 10 million bales for the national market; we just can't do it.

There are only two things to do. First of all, we have got to liquidate the surplus. And, to liquidate it, it has got to go into export channels. and we have got to export cotton up to 15 million bales in 1956.

That seems to us to be the crux of the situation. And we think enough suggestions have been made here today to alleviate that situation, suggestions made by Mr. Patteson and others.

Senator SCOTT. They have made some very fine statements.

Are there any questions?

Senator SCHOEPPEL. No questions.

Senator HOLLAND. No questions.

Mr. BRACEY. Thank you very much.

Senator SCOTT. I believe you understood that Mr. Upchurch of North Carolina would not be here. He has got illness in his immediate family and can't come.

Mr. McLaurin, chairman of the South Carolina Cotton Committee.

Senator Eastland (presiding). I would like to put that statement in the record.

(The statement referred to is as follows:)

STATEMENT FILED BY J. FRANKLIN MCLAURIN, REPRESENTING SOUTH CAROLINA COTTON COMMITTEE, BENNETTSVILLE, S. C.

Cotton producers in the United States find themselves in the position of being required to make the supply adjustment for the entire world. The number of acres in cotton production was reduced by more than 25 percent in 1954 and during the same period foreign producers increased their acreage sufficient to add 1 million bales to their production. The United States cotton acreage has been reduced an additional 14 percent for 1955 and plans are underway for further expansion in foreign production. Latin America, the Middle East, West Africa, Pakistan, India, and Egypt are all planning increases in production goals.

We believe that the United States can continue to assist friendly foreign countries develop their economy without jeopardizing the position of American agriculture. We respectfully submit the following recommendations, at the same time pointing out the urgent need for immediate action.

1. It should become recognized policy for future legislative and administrative actions that cotton exports from the United States should be maintained at a minimum yearly average of 5 million to 5½ million bales in any particular 2-year period and as foreign consumption of cotton increases in the future, that the minimum level of United States exports shall be raised proportionately.

2. Actions under Public Law 480 should be expedited by:

(*a*) Elimination of the provision requiring shippers to replenish stocks from the Commodity Credit Corporation.

(*b*) Centralization of the administration of the program in the Department of Agriculture.

(*c*) Full cooperation by the FOA and other agencies.

(*d*) Elimination of the provision relating to the movement of exports of United States agricultural products as it relates to cargo space requirements in United States ships. Up to this point the only successful arrangement under Public Law 480 has been with the Government of Yugoslavia. This bill was signed by the President on July 10, 1954, which should have given ample time to show some decided increase in exports of surplus American cotton.

3. The Federal Government should press immediate sale of low-grade stocks of cotton from the 1950–51 crop and subsequent crops. For several months the basis has been such that these stocks could have been sold on the world market at 105 percent of the support price plus reasonable carrying charges for the entire period from 1950 to date were charged against these sales it would reflect only slightly more than $4 per bale loss.

4. We believe that it will be advantageous to the American cotton producer for the CCC to sell a part of the present accumulated surplus at world market prices to ward off further expansion of cotton production in foreign countries. To further clarify our position we wish to endorse the following statement from the report of the Agricultural Trade Missions, dated June 23, 1954:

"It is basically important to recognize that in order to sell our products in export markets, we must offer them for sale at competitive terms. We must also realize what is required to meet both the present short-range situation and the long-range situation.

"For the short range, it must be recognized that we have laws which establish price supports for some commodities at levels higher than the prices of competing commodities in export markets at the present time or are likely to be in the immediate future.

"If we are to be competitive pricewise in exports markets, under these conditions, it will be necessary to resort to some type of governmental export-pricing program.

"It is common practice for many governments to carry out similar types of program. Under such circumstances, it is unrealistic for us to expect to maintain a fair share of export markets unless we are prepared to compete.

"We deplore having to use this type of device. Such programs are generally termed export subsidies and have become associated in the minds of people throughout the world as a dumping procedure. We wish to emphasize, however, that we do not favor using such export pricing programs as a dumping device to usurp normal markets of friendly countries.

"Such devices should be used only as a last resort on a selective basis, commodity by commodity. They should be used only when necessary to maintain a fair relative position for United States exports of such commodity in foreign markets under present conditions and where there is a reasonable chance that such devices will be effective in accomplishing this objective."

5. We highly favor the discontinuing the promotion of cotton production under the technical-assistance program in view of the excess accumulation of the world supply of cotton and the fact that cotton producers in the United States cannot continue to make equivalent reductions in cotton production to balance the world supply with consumption. Technical assistance should be focused upon production of foods for underdeveloped foreign countries rather than cotton.

6. Our national policy should discourage the expansion of foreign cotton production now taking place due to the tendency of certain foreign countries to secure needed food crops under the United States foreign-aid program while diverting acreages normally devoted to food production to the production of cotton.

7. That the revised program of agricultural attachés, now under the supervision of the USDA, include the active and aggressive promotion of United States-produced raw cotton as a new material throughout the markets of the world.

8. That action be initiated to utilize the newly developed "line of credit" program of the Export-Import Bank to provide raw cotton from United States sources on a "floor plan" credit basis to cotton manufacturers in consuming countries at favorable interest rates covering the period of time usually involved in handling and processing, shipside through finishing.

We urge that every effort be made by the Federal Government to increase exports of American cotton through more judicious use of Public Law 480, use of Export-Import Bank credits, and put an end to interference by the Department of State in handling cotton sales abroad. Requests from certain foreign countries for American cotton have been refused on the basis that it would upset the economy of friendly nations, who would ordinarily sell to the requesting nations, but this will not solve the problems of American farmers. Constant pampering of foreign nations will remove American cotton from the world market picture and we will find ourselves producing only for domestic consumption. We are geared for greater production and with no foreign markets the American cotton farmer and the textile industry will be on the verge of bankruptcy.

Concern has been expressed about the possibility of materials made from cotton sold abroad under this plan coming back into the United States in competition with domestic goods. There has been no hesitation in the past in placing American cotton under export quotas and we feel that the Government should take necessary steps to protect our textile industry from the threat of foreign goods produced with cheaper labor.

The cotton producers of South Carolina favor the elimination of the phrase "to further American policy" from Public Law 480. This should put a stop to the State Department's veto power on proposed foreign cotton sales. We believe that surpluses of commodities are the business of the Department of Agriculture and feel that this Department can be more successful in promoting our products for foreign markets than any other Government agency.

We request an increase in Public Law 480 funds from $700 million to $1.5 billion with no restrictions on the amount to be spent in any one year.

We recommend that a new post be created providing for an assistant to the Secretary of Agriculture to handle cotton sales.

The American cotton industry is at a crucial point and your efforts to dispose of the present surpluses abroad will enable us to regain our place in the world market and make it economically feasible for us to continue producing the world's best fiber.

Senator EASTLAND. Mr. West.

STATEMENT OF SID Y. WEST, S. Y. WEST & CO., MEMPHIS, TENN., REPRESENTING THE MEMPHIS COTTON EXCHANGE—Resumed

Senator EASTLAND. Identify yourself for the record, and state who you represent, please, sir.

Mr. WEST. I am S. Y. West, of Memphis, Tenn., a cotton merchant. I am here as a representative of the Memphis Cotton Exchange.

Senator EASTLAND. Mr. West, will you please name the official positions that you have had in connection with the cotton industry.

Mr. WEST. President, Pine Bluff Cotton Exchange, 1914; director, Little Rock Cotton Exchange, 1916–20; president, Little Rock Cotton Exchange, 1920–21; treasurer, World Cotton Conference at Liverpool, England, 1921; president, Arkansas Cotton Trade Association, 1923; president of American Cotton Shippers Association, 1927; president, Memphis Cotton Exchange, 1943.

Now a director, National Cotton Council, and have been for many years.

Chairman, Foreign Trade Committee, National Cotton Council, during and after the war, until 1952.

Treasurer, Southern Cotton Shippers Association, 1940 to date.

One of the men who set up the Universal Cotton Standards in the twenties by which cotton is classed today, and a United States representative to practically all of the Universal Standards Conferences from the first ones held until 1946.

In 1954, the International Cotton Advisory Committee standing committee chose three men, the most outstanding in their field in the world to come to Washington and analyze possibilities for achieving greater stability in the world cotton picture. They chose 1 expert from England, 1 from Switzerland, and Sid Y. West.

In 1951 I was sent Europe to explain the Export-Import Bank loans and to expand participation of European countries in Export-Import loans for cotton.

I would like to explain that we have 175 members in the Memphis Cotton Exchange, and it is quite a problem to get together and try to get a meeting of minds, it is quite difficult.

With me is the first vice president of the Memphis Cotton Exchange, who is a cotton factor, that means he is the fellow that lends the money in the spring and hopes to get it back in the fall, Mr. Ramsay.

Senator EASTLAND. Mr. Ramsay, will you sit at the table. We might want to ask you some questions, sir.

Now, Mr. West, isn't the Memphis Cotton Exchange the largest inland market in the world?

Mr. WEST. It is the largest handler of spot cotton that has ever been known in the whole world, not just the largest inland market. It is a representative market that has in its membership the cotton factors, the cotton brokers, the cotton domestic merchants—the mills have their own offices to buy cotton there—and even a few cotton exporters, like myself. They handle over 30 percent of the entire crop of the United States. The bales themselves don't go through there, but there is that much business transacted.

Senator EASTLAND. You mean, Memphis handles over 30 percent of American production?

Mr. WEST. That is correct, sir.

Senator EASTLAND. You may proceed.

Senator HOLLAND. Do you appear for the exchange? Do they take a position as a group on this, or do you appear for Mr. West?

Mr. WEST. Senator, I am a little bit mixed. I have appeared for a lot of cotton organizations, and the general procedure is that you listen to the discussions and do the best you can. I will assure you that I am doing the best I can to represent the best interests of the

Memphis Cotton Exchange, with certain of my interests, too. My testimony will be largely——

Senator EASTLAND. What he wanted to know was: are you authorized to speak for the exchange.

Mr. WEST. I am authorized to speak for the exchange. I am here as a spokesman for the exchange. I will assure you one thing, though: that all the members wouldn't agree with what I am about to tell you, a majority of them.

Senator HOLLAND. The majority of them. And the responsible governing group authorized you to appear here?

Mr. WEST. I am authorized by the president of the exchange to appear here as their spokesman.

Mr. Chairman and gentlemen: The approach to the complex problem can best be made by dividing the matter into its three basic components:

(1) Massive stocks in Government hands.

(2) Preventing recurrence of the problem by altering the present system in a manner which might temporarily hurt the least percentage of the interests involved.

(3) Immediate problem of the drastic and intolerable expansion of cotton production abroad.

Mr. Ramsay presents the situation in which cotton producers find themselves, and the overall effect this has on American agriculture as a group. The textile industry have already forcefully presented their position; that means we have textile in the Memphis Cotton Exchange, and they have chosen to present their problems themselves through their association. A sound textile industry is as essential as a healthy agricultural America.

The real cornerstone of the whole dilemma is that a group of intense able men—here in the Government primarily—are striving effectively to commit the United States to the curious position that our internal health is secondary to international considerations. The decisions which must be made on where this principle is to stop will determine the future economic health of America. They fail to see the position in which this policy—carried too far—places agricultural America.

An excuse for the present policy on cotton is that America must do nothing to (*a*) jeopardize her position as leader of the free world, (*b*) upset world markets. This is warped reasoning. Unless America remains economically healthy we cannot remain leaders in anything. Secondly, meeting foreign cotton production at competitive prices in the world market place is a normal operation. Fighting that premise is fighting to remove American cotton forever from the world markets. Selling at whatever price is required to maintain our fair share of exports, the foreign producer sets the price, and we meet it. There is nothing wrong in that and competition in a free market is in no sense dumping.

It becomes necessary first of all for us to accept that any action to help will at least temporarily hurt someone. Certainly it is desirable to have foreign allies to help America's position in the Western free world. This is a worthless procedure if in doing so we destroy our internal economy.

Any long-range solution, and solution to the problem of Government stocks, must be based upon a solution to this foreign production. America cannot continue to remain a healthy economy if we do not

at once—not next fall or next year—take steps to reverse what amounts to an irrevocable transfer abroad of one of the very basic means of producing income here in America. The only way to do this is to make cotton production abroad less attractive. I would like to have placed in the record an article from the New York Times of a few weeks ago concerning Nicaragua. I would like to read that article at this time.

Here is a small part of the story. Briefly, it is this:

In 1952–53 Nicaragua had a yield of 61,000 bales; in 1953–54, a yield of 100,000 bales; in 1954–55, an estimated yield of 200,000 bales.

Senator EASTLAND. That may be placed in the record.

(The article from the New York Times referred to, dated January 31, 1955, follows:)

NICARAGUA FACING COTTON PROBLEM—SPREAD OF PROFITABLE CROP IS BRINGING DUSTSTORMS AND NEGLECT OF FOOD CORN

By Paul P. Kennedy, special to the New York Times

MANAGUA, NICARAGUA, January 30.—Nicaragua seems to have got a white bear by the tail in its newest big dollar-earner, cotton.

This year's crop, just coming into the picking stage, probably will supplant coffee as the No. 1 export commodity. Thus it will establish something historic in the Central American economy, which traditionally is anchored to coffee.

The significance is great for Nicaragua, but still greater for all the Central American countries. On the whole, they are similar in climate, terrain and soil composition, and logically follow each other into any agricultural venture that promises rich returns.

Here cotton has assumed the proportions of a get-rich-quick craze in which huge blocks of land are being turned over right up to volcano edges. The lowlands of Nicaragua, from the air, just now resemble a great white sheet. With fair management the cropland should yield a net profit of about $150 a manzana (1.74 acres).

INCREASE IN PRODUCTION

Cotton production shows these increases, in the last 3 years: 1952–53, 37,000 manzanas in cultivation, with a yield of 61,000 bales of 500 pounds; 1953–54, 58,000 manzanas with a yield of 100,000 bales; 1954–55, 110,000 manzanas with an estimated yield of 200,000 bales.

As a dollar earner in the last crop year cotton brought in $16,600,000 in the first 10 months and was 28 percent of the export total. This year it is expected to bring in between $30 million and $35 million for an export total of about 40 percent.

These bright economic peaks are already casting their shadows. Poor planning, irresponsible mass clearing of land and intensive one-crop cultivation are resulting in serious duststorms. One ironic aspect is that newly rich cotton planters are complaining that they cannot use their swimming pools because clouds of dust are polluting the water.

WARNING BY AGRONOMISTS

Disregard for elemental nutritive replenishments is giving the groundkiller a good start. Agronomists are warning that unless rotation and cover crops are employed the ground for the cotton harvest will be worn out in a very few years.

Another serious aspect is the relative neglect of corn cultivation in the craze to turn all available land into cotton. For the first time in years, and possibly in the country's history, Nicaragua this year may be forced to import corn. That formerly was its highest priority food crop.

The price of corn in the last 4 months has risen from 55 cordobas (about $8.25) in October to 100 cordobas in January. The price is for a fanega (320 pounds).

Still another cause for concern is the swift decline in reserves of foreign exchange, directly owing to massive purchases of heavy machinery for cultivating and picking cotton. At the beginning of 1954, dollars and gold reserves amounted to $17 million. At the start of this year these reserves had shrunk to $12 million.

ADVISERS FROM THE UNITED STATES

The United States has cotton experts here to advise, but there is general agreement that time is running out. The abnormal duststorms and the streaks of brown through fields as a result of nitrogen deficiency in the earth are seen as symptoms of things to come.

There is a growing new class of wealthy cotton planters. However, observers say that if signs are unheeded serious economic dislocation will occur.

In keeping with the boom, the National Bank of Nicaragua reported that it had lent 42,116,000 cordobas ($6,317,000) on the 1953–54 cotton crop. On the 1954–55 crop its loans totaled 94,843,848 cordobas (nearly $10 million).

Senator EASTLAND. And right there, I have here a release from the Department of Agriculture. It has gone out today for release on March 10. If the committee would like to hear it, I will read it. Now, I haven't read all of it myself, but I would like to:

USDA SPECIALIST REPORTS ON CENTRAL AMERICAN WORLD COTTON MARKET COMPETITION

The United States faces increasing competition in the world cotton market as a result of expanding cotton production in Central America, a United States Department of Agriculture specialist reported today following a firsthand study of cottongrowing potentials in Nicaragua, El Salvador, and Guatemala.

Charles H. Barber of the Foreign Agricultural Service's Cotton Division, said that efficient use of excellent land has brought about a sixfold increase in Central American cotton production in the past 5 years, and that a further output rise can be expected.

Cottongrowers in Nicaragua, El Salvador, and Guatemala have nearly completed picking the largest crops ever recorded in those countries. It is expected that the 1954–55 crops (harvested from December to April) will total nearly 300,000 bales after a steady rise from only 50,000, 4 years ago. A further increase of about 100,000 bales is expected in 1955–56, and potential production estimates after a few years of development range from 700,000 to 900,000 bales.

That is from a base of 50,000 bales.

Nearly all cotton in Nicaragua, El Salvador, and Guatemala is grown on large-acreage farms using tractors and other heavy equipment for cultivation and airplanes for insecticidal dusting and spraying.

"Central American growers have excellent cotton land," Mr. Barber states, "and have quickly adopted United States methods, equipment, and varieties, including United States certified seed. They have started in high gear, so to speak, on the efficiency level prevailing in this country, and are producing as high as two bales to the acre without irrigation in some areas. This yield compares favorably with that of some of our best producing areas."

Cottonpicking labor is adequate in Guatemala and El Salvador at a wage scale of US$1 to $1.50 a hundred pounds, the FAS specialist reports.

That compares with hand-picking costs in this country of normally $3 a hundred.

It is inadequate, however, in Nicaragua where more than 100 cottonpicking machines have been imported. The machines have not been fully satisfactory for use in Nicaragua because only one gin has the special equipment needed to handle machine-picked cotton, and because the cotton stalks are too high for efficient machine operation. Only 20 to 25 machines have actually been put into use.

Most of the Central American cotton land was formerly pasture, but much of it has been diverted from corn, rice, sesame, sugarcane, and citronella grass. Additional acreage will be brought into production by further pasture diversion, and by clearing jungle areas. Much more fertilizer will be used in 1955, especially in Nicaragua and El Salvador.

The Cotton Belt extends from the Pacific coast to the mountains in Nicaragua, El Salvador, and Guatemala, except for about 75 miles of coastal land in northern El Salvador. In Nicaragua, cotton is grown also farther inland around Managua and Lake Managua.

All cotton grown is American Upland type, mostly Delfos in Nicaragua and DPL–15 in El Salvador and Guatemala. Staple length averages about 1 1/16 inches, and grades are mostly Middling and Strict Low Middling except the late-season harvest which averages a little lower.

Ocean port facilities are inadequate on the Pacific coast in Guatemala and Nicaragua where most of the cotton for export is loaded on ships by lighters. Port improvements are under official discussion in both countries. El Salvador has adequate wharves and there is no shipment delay for lack of lading facilities.

Now, that will be in the record, and I submit that that is an instance of what is happening because of our unrealistic policy of not competing with these foreign countries and their production.

You may proceed.

Mr. West. In some countries so much land is diverted to cotton they no longer can adequately feed their population. Their normal balance of trade is disrupted. A terminal development is requests for food grants from America, which allows further expansion in cotton acreage. Nicaragua is a classic example. Now, in the interest of preserving the soundness of our own economy and in the interest of true friendship to these areas, the sensible measure is to forcefully stop further silly trends along this line, and to reverse the trend as much as possible. It takes a month or two to build a $200,000 cotton gin. Once the investment has been made, it requires years of big losses before it will be abandoned.

As far as the long-range program goes, the question must be handled in a way not basically unfair to the American textile industry. For example, we gain nothing if instead of seeing 9 million domestic and 4 export, we end up with 8 export and 5 domestic.

It has been stated that if we take effective action to retard and reverse the transfer abroad of cotton production by meeting outside cotton producers in their market place, at a price they will set, it will create discord. That becomes true to a great extent the longer we wait. We are on the brink of being irrevocably committed to the transfer out of the United States of the majority of our cotton production. Unless you accept that America will cease to be a major cotton-producing country, Congress must be articulate, now before it is too late—as to just where global consideration and pressure is to cease controlling policy, and where interest in our internal economic health is to take over.

Last year the Assistant Secretary of Agriculture for Cotton, Mr. Davis, in very forceful terms told assembled representatives of the ICAC gathered at São Paulo, Brazil, that America could not accept that every time we took an acre out of cotton here in an effort to balance production with demand, foreign producing nations put in 1 or 2 new acres.

As I recall, Mr. Davis——

Senator Eastland. That is Mr. John Davis, Assistant Secretary of Agriculture?

Mr. West. That is right.

Senator Eastland. Proceed.

Mr. West. As I recall, Mr. Davis warned we would have to take steps to assure we kept our share. Let us explore what happened; they produced 1.8 million bales more in 1954 than in 1953. The excuse was plans were made, or crops already in the ground. Now, in January of this year, at a meeting of the standing committee of the ICAC——

Senator EASTLAND. What is the ICAC?

Mr. WEST. International Cotton Advisory Committee, which has Government representatives from all of the major consuming countries and producing countries outside of the Iron Curtain. They are sort of an international united nations for cotton.

Senator EASTLAND. Proceed.

Mr. WEST (continuing). The same Governments represented, the question was put to them what are your plans for cotton production in the calendar year 1955—without exception each stated that they did not wish to make Uncle Sam unhappy, as they were very fond of him, but they just somehow had to increase cotton acreage again. We have given official notice a year ago. We cannot now be justifiably accused of taking arbitrary action without due pleading and warning.

With regard to massive stocks of cotton in Government hands and methods of preventing a recurrence of such a situation, I will not presume in the limited time available today to go into details on these matters. I am positive that unless the continuous and vicious transfer abroad of cotton production is reversed at once by whatever means necessary, no solution will ever be evolved. An illness which could have been cured will have become incurable, and destroyed the economic health of our Nation. If any of us were ill, or had a member of the family ill, after as long a time as we have been building up to this failure, we would certainly change the doctors—and even the hospital—and feel upset that we had not realized the situation sooner.

Gentlemen, for many years now America has been willingly exporting America's income in the form of foreign aid and gifts. Now our own actions are fostering the export—call it transfer abroad if you wish—of the very means of producing national income. FOA specialists have, I think, testified that they cannot visualize very much overall increase in world cotton exports. It has been adequately brought out that land devoted to cotton abroad has spread like wildfire, while we continuously reduce acreage here. It is one thing to give away income, another to give up for all time—not just temporarily—a basic and necessary part of America's ability to make a high national income. Continuing this asinine situation much longer will make solution to the overall problem impossible.

I think the Cotton Exchange would not chastise me for the statements I have made up to now. From here on, there would be much discussion. As I explained, due to the different interested parties, I would not expect them to go along with all of what I may now say.

Senater EASTLAND. Each one of them is taking care of his own special interests; is that right?

Mr. WEST. Yes, which is to be expected.

Senator EASTLAND. And you are taking care of your own special interests; is that it?

Mr. WEST. I am going to try to stay with the farmer and live, too. Without a healthy farm economy I believe we are all ruined.

Now the only effective way to retard production abroad is to make it less attractive. Compete with foreign production in price. Inject uncertainty as to what that price will be. First it is necessary to face this fact. After that, it is the responsibility of the Government to decide how. I suggest the following general approach, which should lead toward solution of all three points of the problem:

(1) Immediately declare as official economic policy of the United States that our economic welfare demands a minimum annual offtake of 14.5 million bales a year, beginning August 1, 1955.

(2) Declare the present situation so serious that immediate and positive action will be taken beginning August 1 to obtain this goal.

(3) Declare at once (on all cotton exported after August 1) that up to 6 months after a bale leaves America, should Washington reduce the export price, the foreign buyer will receive through cash payment the same benefit as if he had bought after the reduction.

I will give you the reasons why I think that is advisable. These steps are the minimum which should be done today—not next fall. With foreign growths always priced just below us——

Senator EASTLAND. Let me ask you a question right there.

Mr. WEST. Yes, sir.

Senator EASTLAND. The statement has been made here time and time again that we are competitive at this time.

Mr. WEST. Yes.

Senator EASTLAND. Now, is that true?

Mr. WEST. Senator, the devil can take the Bible and prove that the devil is right. And you can take the quotation, for instance, of Turkish cotton in recent weeks and say their cotton is above ours. The Turks sold so many of their liras to so many people in Western Europe that the national banks of those countries and the governments of those countries to whom the Turks sold those lira are taking drastic steps to get goods instead of paper money. So the Turks get 10 cents a pound more for cotton they sell to France, for instance, than France has to pay for a similar quality of cotton from the United States.

The French export something manufactured in France to Turkey, and the individual buyers in Turkey pay liras to France; those Turkish liras must be spent in Turkey. So the French, I was told by our agent in the north of France who was in Memphis the other day, last year fixed quota of American cotton that the French mill could buy at 40 percent of their entire production, and this year it is down to 23 percent of their entire production, to force French mills to use Turkish cotton.

Now, one could say to you that we are competitive with Turkish cotton—we are 10 cents a pound under Turkish cotton, but that is the reason. In other cases when they say "competitive," I will say that a half cent a pound below is not competitive if his cotton is the same type of cotton.

Senator EASTLAND. Well, how does the price of Brazilian cotton compare with American?

Mr. WEST. Today?

Senator EASTLAND. Yes.

Mr. WEST. I don't know how it compares with American cotton today. It will be just enough under American cotton, when I come up to the bargaining counter, for Brazil to take that order.

Senator EASTLAND. What about Mexican cotton; is it sold under——

Mr. WEST. When it is necessary, it is sold under; they get just as much as they can for it.

Senator EASTLAND. When it is necessary to make a sale, they undercut us?

Mr. WEST. That is right.

Senator SCHOEPPEL. Now, if we undercut them——

Mr. WEST. It is said we are very bad boys, Senator, if we undercut them. That we mustn't do.

Senator SCHOEPPELL. Right in that connection, I picked up the Wall Street Journal today at noon, and it says:

> United States Farm Props Anger Allied Nations and Impede United States Plans for Freer Trade.

It is an article by Henry Gemmill and Mitchell Gordon. I don't know either of the two gentlemen, but it touches on some of the things we are exploring right here and what can be done to get our share of the market.

This is headed Geneva:

> It is becoming increasingly clear that a domestic policy of the United States Government—its propping of farm prices—is losing America friends abroad and in large degree defeating its foreign economic policy.
>
> The situation has been painfully evident here in Geneva, where weary delegates are rounding out 4 months of talks on a revision of the 34-nation General Agreement on Tariffs and Trade.

Here is the significant thing about what is happening. I am just going down to another part of the article:

> For example, the United States has been insisting that nations should end quantitative restrictions on imports—specifically the widespread discriminations against goods bought with dollars. Time and again the Americans have been hooted down because the United States itself has slapped import quotas on many a farm product to protect its high-priced domestic market.

And then further down:

> For another instance, the United States representatives have been pressing here for tighter rules concerning the disruptive effect of what is called State trading—governmental buying and selling of the raw materials and products of industry. But they have been laughed at by other delegates, who cite sales of butter and grain from the vast surplus stocks of the United States Commodity Credit Corporation.

And further down:

> The American position, an inevitable consequence of the domestic farm program, has done more than infuriate the diplomats gathered here. It has aroused the farmers and farm blocs of efficiently producing agricultural nations, and it has given the United States a "bad press" on a global scale.

It is kind of interesting to see what some of our nations who have taken money that our taxpayers have handed out have got to say. This is rather interesting:

> The influential Manchester Guardian pictures America as asking GATT for "legal permission to live in a state of sin." The London Economist, internationally read and usually pro-American, depicts the United States insistence on quotas for farm imports as "sadly retrogressive."
>
> It is possible the sentiment is running higher than the facts justify. American officials emphasize that every subsidized sale abroad of United States commodities is managed as carefully as possible to avoid hurting the competing producers of friendly nations.

And it goes on down—the whole tenor of the article, if it truly reflects the facts as reported here—and I offer no suggestions as to whether it does, but certainly the facts reported in the Wall Street Journal by these gentlemen must reflect some degree of sentiment over there.

Mr. WEST. I think it does.

Senator SCHOEPPEL. Which would indicate that there are going to be strong pressures against the American farmers through the various

and sundry organizations businesswise, competitivewise, moving into these markets, despite the fact that my country and yours has been most generous in trying to build up the technical know-how. And all these factors that you gentlemen in the great cotton industry of the country are pointing out show unmistakably that they are moving into our exporting market, and tomorrow it is going to get worse. It makes a pretty serious situation that we are confronted with here. And what must our policy be? What shall be our policy if we are going to protect the economics of this country and the taxpayers? These witnesses have just testified about what happened down in Mississippi and Louisiana, and a lot of other places. They cut our quotas down and they built those countries up with technical know-how, investments of all kinds, so that they can go into the market and compete with us. It kind of makes you wonder. And here we are talking about getting back in the market that we have heretofore lost, because, I sometimes think, of the lack of foresight on the part of our Government to go after the competitive side of this thing to the benefit of the American market.

But this article means to me one thing, that however our Government agencies move in there, if we are going to be deterred by criticism and do nothing, well, we are in trouble. So we had better move in, and let's get the worst impact behind us.

Mr. West. Senator, it has been my good luck or bad luck to spend practically my entire life in the foreign business, which has meant that I have spent some of my life wandering around in foreign lands. We are "Uncle Sap," that is the kind of thing that you hear about the United States. They despise us for being fools in many countries, for the policy of "give, give," as we have done. Well, some of them might hate us a little bit if we followed what I have suggested here, but I believe I would rather be hated and get something out of it than be despised and get nothing out of it.

This problem on cotton is vital to all agriculture not just the Cotton Belt of the United States. It has been proven at the time we obtained an export subsidy on cotton—the records of the Department of Agriculture show that we can raise more wheat per acre than any wheat State.

Senator Eastland. In fact, Mississippi had the highest per acre of any State in the country; didn't it?

Mr. West. I think it did.

Now, if we just take off the bridle—and we will some day, probably—and we have thrown away the cotton market, Mississippi can stay alive producing wheat longer than any wheat State. It will go broke doing it, but there will be that 20-year lag in catching up with the population.

Thank you for that information, Senator. It is nothing new to me.

With foreign growths always priced just below us, and uncertainty applicable to all cotton prices, the foreign buyer now uses foreign growths until supply is gone. The suggested move creates a very much stronger uncertainty as to future foreign cotton prices. At the same time it gives a real assurance, on which a foreign buyer can bank, that should there be a decline in prices—brought about by Government action—he is protected when he has bought American cotton. Should he show signs of forgetting that American, even at a higher

price is the only thing to buy, and if we are not reaching the 14½ million goal, offering a limited quantity at whatever competitive price is necessary to move it abroad would probably assure the foreign buyer would avoid foreign cotton like a plague.

This is a little involved, but it means just this: Everybody in the world believes that some time the United States is going to sell its agricultural surpluses at the price they can get. And so they sit back and wait and wait and wait. Now, if he thinks we would cut the price, we will say, 5 cents—I haven't any idea what it would be a pound—and thought even then he could buy Mexican at a half a cent a pound under what he could buy United States cotton for he will just wait, but if he woke up some morning and found that by offering to meet the competitive price the world price was down 5 cents, he would lose $22.50 a bale to his competitor who hadn't even bought it. And that way it doesn't cost us a nickel, and if we don't do it, we haven't done anything except make our own cotton more attractive.

Senator EASTLAND. Let me ask you this question. You realize what a very desperate situation American cotton industry finds itself in, because we have no program of competition abroad.

Mr. WEST. That is right.

Senator EASTLAND. Who is responsible for that? Is it foreign countries or Americans?

Mr. WEST. It is Americans who took advantage of an opportunity to make some money—not a hundred percent—the foreigner have done it too, not only Americans.

Senator EASTLAND. In other words, do you think that there are groups who are opposed to the American farmer regaining his foreign market that have entirely too much influence on our agricultural policy in this country; is that what you are saying?

Mr. WEST. I would hate to believe it, but it looks like that might be it. They are not the only ones who are responsible for the expansion of foreign growth. Americans have gone into things that went on aready with foreign money. Zurich is one of the places——

Senator EASTLAND. Our export price system now?

Mr. WEST. That umbrella is the thing that has made a guaranty, practically, of a profit. And that umbrella, that support price, has been put in and has been used for quite some years. And when it was put in it was stated they could sell their stuff when it got too burdensome at the competitive price of the world. It is a mystery to me that they have sold other things, but not cotton.

Senator EASTLAND. Why is it that they sell other things but not cotton?

Mr. WEST. I guess there is enough pressure on the other things to get them to sell it, if no Americans objected to its being sold.

Senator EASTLAND. Is it your contention that we must either do 1 of 2 things if we are going to retain an export cotton business: First, we must either reduce the export price, or we must subsidize exports in some form?

Mr. WEST. Yes, sir, we must cheapen the price to meet our competitors. I can't sell apples for a dime if you sell them for 7 cents.

Senator EASTLAND. I don't blame American firms for doing business abroad, they realize that there is bound to be an acreage expansion program as long as we are not going to compete.

Mr. WEST. That is right.

Senator EASTLAND. They went in there to make money. But if they have influence on our agricultural policy and tie the hands of this country to prevent us from recapturing those markets, that is something else. I also think that the textile industry has been unnecessarily alarmed. The textile industry has had as much to do or more to do, in my judgment, with a lack of export policy than any other segment of the industry. There has never been a wish by anybody in the industry to see them hurt. But they have resisted working out a program that would permit the export of cotton, and at the same time would protect them. And I think we have followed a very shortsighted policy, because it is coming, it has got to come. But they have been afraid, they have resisted any movement that would reduce our price in the export trade, because they were afraid it would hurt them. They have resisted doing that even when there is the offer from other groups to see that they were protected. I think that fundamentally they are more responsible than any other group.

Of course, other groups have been responsible too. Am I right on that, Mr. West?

Mr. WEST. They are better organized, yes, sir.

Senator EASTLAND. The farmer is not well organized?

Mr. WEST. No, he isn't. And the textile group has got a very efficient organization. And they always have had. The textile people of New England and the South, they do have a real danger from certain cotton textiles manufactured abroad.

Senator EASTLAND. You want them protected?

Mr. WEST. Sure, they are the best customer you have got.

Senator EASTLAND. But they will not meet the farmer on the common ground that the farmer is willing to meet them.

Mr. WEST. He has got to buy only American cotton—some synthetics are forbidden to be imported in this country—and there is little outside cotton, except in a few instances. And that is what we are talking about. The price is also down here for outside cotton, and yet nobody can bring across our borders any cotton except for a few special jobs where we don't produce the kind of cotton that is needed.

Senator EASTLAND. How can the cottongrower expect the cotton to be kept out of the country and yet not be willing to give the mills that same reasonable protection?

Mr. WEST. I have never heard a responsible leader of the farm group who was not willing to do that. I have never heard any of that discussion where they were not willing to recognize that fact, and quite willing to help in any way they could. Whether that is just lip service or not, I don't know. But I have never seen them make any effort to do anything that was contrary to protect their best customers in regard to foreign competition—they might have a difference of opinion about what the loan price should be with the spinner, and they would fuss about that.

Senator EASTLAND. You may proceed, sir.

Mr. WEST. Now back to my statement, if the foreign buyer had the assurance he would be protected on American cotton, he would be willing to pay considerably higher price for American relative to foreign cotton than he will do today. He has price insurance—very valuable to him—which will cost the United States nothing unless we do take action during any 6 months' period, and if we do, the cost can

be calculated. The foreign mill knows that if he fails to use that price insurance he could suffer very heavy losses overnight by American Government action. I believe he would be willing—provided the idea is properly handled—to pay a considerably higher price for American cotton to get that protection in the form of price insurance. The more he fears world price reduction in cotton, the more attractive it becomes to buy American cotton even at an increasing premium over foreign growth because of the price insurance. Foreign cotton would tend to remain for longer periods within the producing country, and make subsequent production less attractive.

I have not devoted much time to Government stocks, nor to a long-range solution. I believe those problems insoluble unless this transfer abroad of cotton production which belongs in United States of America is immediately reversed. The National Cotton Council deserves highest commendation for its yeoman service to effectively increase the volume of cotton consumed over a very long-range period. They have made significant strides toward that end in their 15 years of existence. The long range can be much more successful through the council's program. But they cannot succeed in saving the situation by long-range work unless Congress acts now on the situation I have described.

The Foreign Agricultural Service of the USDA is diligently attacking the problem to the full extent of their authority—to date they have not been allowed sufficient freedom of action to permit Public Law 480 to be nearly as effective as it could be.

In closing I would like to make a few observations. It is curious reasoning to me that America must do nothing about its cotton problem while it is O. K. to dispose of other commodities in surplus by artificial action. I wonder whether cotton is not considered a stepchild by Washington because cotton is one of the few items in surplus which is a nonperishable item. Seven other commodities have been offered for sale for movement into the world market at competitive prices. Similar curious reasoning maintains that "global responsibilities" prevent us from selling cotton at competitive prices abroad. The unjustified term "price war" has been given to such a proposal.

Examination of the programs of Egypt, Turkey, and Brazil shows they all indulge in the very actions it is said we must not do. They will announce a high support price, and then immediately make a private bilateral agreement wtih another country and under that agreement maneuver the price at whatever level suits them. Brazil even has an effective continuous and flexible subsidy by altering the exchange rate for various farm commodities.

It is maintained by some that discussion of possible measures to move part of our surplus dries up demand from abroad.

Until either (*a*) there is only a normal surplus in sight or (*b*) the foreign buyer thinks he can see the real program which will be used to reduce our surplus to a normal carryover, then and only then will this fear be dissipated. I do not agree that discussion or lack of it has any material effect on total American exports during an entire season. We are already reduced to the role of residual suppliers. I will agree that the pattern of movement within a year can be affected, as discussion may temporarily stop all demand. The slack movement will then be compensated for by an above-average movement shortly

thereafter. The uncertainty is not the talk, but the fact, that 10 million bales more or less is in surplus in America, and there is no sign of how we intend to dispose of it. This is reinforced by the belief—and it is unshakable—that eventually we will do something to take care of it.

Senator EASTLAND. It is the program, isn't it, to dispose of this 10 million bale surplus by cutting production in this country to the bone?

Mr. WEST. We are starving people to death.

Senator EASTLAND. That is right, and dispose of this by starving it out of the farmer?

Mr. WEST. That is right.

Senator EASTLAND. With no attempt to use it to recapture the market?

Mr. WEST. Yes. It looks to me like some people in authority feel that the price of cotton is relatively too high and, therefore, when we have a great surplus keep it impounded to bring the full loan level down to some lower level. I don't know what level they have in mind.

Senator EASTLAND. You may proceed.

Mr. WEST. Gentlemen, it is essential we do something today to stop the expansion going on abroad. Financiers and bankers are cautious people. We all know when you take new ground, or alter old producing ground to produce cotton, it occasions spending considerable sums of money. With the price level set by our umbrella, it has not been difficult to get mony, primarily because highly responsible Americans inside and outside the Government repeatedly state nothing will be done to upset this price umbrella. In many instances the profits have been phenomenal. One cannot do other than expect some American interests to go abroad to partake of some of the cake.

Senator EASTLAND. Do you think that agitation now to get the Secretary of Agriculture to state that nothing will be done this year to reduce the export American cotton—that matter has been put up to me—do you think that that is propaganda from groups that don't want it done?

Mr. WEST. Well, it is certainly from groups that don't want it done. We see our own little business picture clearer than we see anything else. And there is nobody that buys a bale of cotton, in our opinion, from anybody in the United States as long as he can buy it cheaper from somebody else, unless it is a quality of cotton that is unavailable anywhere else, until the credit terms are so favorable to him he can't buy the other cotton. And he won't carry anybody's bale of cotton a minute longer than he has to, because he certainly believes that we are going to dump this cotton some day—there is going to be no demand, in my opinion, for the storage outside of the United States of cotton for anything except the barest necessity until that uncertainty is settled.

Look at the stocks in any foreign port; look at the stocks in anybody's farm or mill group, and that will prove it to you.

Senator EASTLAND. Well, it just assures them that the umbrella is there for another year.

Mr. WEST. Yes, for foreign producers. But the foreign buyers don't believe it, they don't believe we are going to be that big a fool.

Senator EASTLAND. You may proceed, sir.

Mr. WEST. We people in the business of exporting and trading in American cotton are diligent, hard-working folks. I think we are pretty prize salesmen—and that actually is all we are is the farmers' salesman—but we just are not good enough to be able to sell apples for 10 cents if the chap across the street is offering them for 7 cents, and telling his wife to pick more apples because I am swearing to everybody I will not cut my price below 10 cents.

The talk that's cheapening the price of American cotton abroad will not sell another bale is fallacious.

The man who buys the products of American factories is the one who makes it possible to have the high wages and maximum employment—not the paymaster at the factory, or some other factory worker. Reduction in the ability of agricultural America to produce a cash income not only reduces agricultural purchasing power, but even more vital, drives families away from farming to seek work in competition with existent labor forces.

I wish to thank you for the opportunity and honor of being here today. In closing I would like to say that what cotton America has been able to export in the last few years has been primarily only because of special credit schemes which made it more attractive, gift cotton, or some qualities which were unavailable elsewhere in the world. Those avenues are already pretty well exhausted. In the first place, cotton-consuming countries are in a much sounder position than several years ago. Two of our largest historical customers for cotton—England and Germany—have had no restriction for some time on the amount of dollar cotton they import. Secondly, the quality and quantity of cotton produced outside United States of America is increasing at a more rapid rate than all of these "drop-in-the-bucket schemes" can offset. I caution against complete acceptance of the counsel that any group of halfway specific measures will solve the problem. If the advisers cannot find a better method to cure this illness than those proposed to date, I suggest changing to some who will.

I am a cotton exporter and domestic shipper. My only real interest is United States grown cotton. Possibly I am extremely selfish, but I want to see America have the magnificent markets our great product of American cotton once had, and which has been thrown away—not justifiably taken away—in recent times.

Senator EASTLAND. That is a very able statement, and it has been very helpful.

What do you think the prospect is now, unless our policies are changed, what is going to happen in the next few years?

Mr. WEST. We will get down to where we will produce cotton—if our own program continues to hold above the competitive world price—we will get down to where we will be just producing it for the American mill, and without quotas the American mill will be having a terrible time paying that price if his foreign-mill competitor can buy that outside cotton a lot cheaper.

Senator EASTLAND. What would happen to your cotton producers in North Carolina and South Carolina, and Georgia and Alabama?

Mr. WEST. Well, at least a third of them, their production would be out—I don't think you could continue consumption of 9 million bales in the United States, I think it would go down to 6 or 7. That would

be your own market, so what will happen to them won't look very good.

Senator EASTLAND. Senator Scott?

Senator SCOTT. Your statement has been very interesting to me, Mr. West. It seems to me like we have got to maintain a controlled program, but that is just part of it. If you maintain a controlled program at a parity price, it will let these folks stay in there that we now have, or close to that number. And then for the export trade—it has been mentioned here today, I don't know the wisdom of it all, I haven't been able to think it all through—that we give our manufacturers some kind of inducement to move some of this stuff abroad, and at the same time give the fellow that ships cotton some inducement to send his stuff abroad.

Now, I would say this in general. If you take all the subsidy out of everything, railroads, airlines, mails, take it out of everything, the country fellow will live just as long as everybody else, and you will have your budget balanced. But what is the use of having it balanced? I don't see that. I believe there has been enough testimony here that if we would follow it all the way through—I know it is a complicated thing, but just the business of living is a complicated thing—I believe we can work this thing out. But as I see it, as this whole thing moves forward with an increasing population and a better know-how, it becomes more and more complicated all the time, I recognize that. But I also recognize the American ingenuity to do things hasn't stopped yet in the long run. Now we can work it out.

Mr. WEST. We will.

Senator SCOTT. We can work it out. And there is no need of us perishing to death while we are doing it.

Senator EASTLAND. You know the tariff is the best subsidy in the history of the world.

Senator SCOTT. And that is what has made me sore as a rough countryman, to have the United States Chamber of Commerce come down in my country—and they have done it all over, and the National Associations of Manufacturers has too—and the housewives of America, through their leagues—they have come all over and have belittled the countryman, the man who produces the raw products, they have belittled his little peanut subsidy that he has had. If you will match his subsidy with the rest of it, I will be satisfied.

Senator EASTLAND. I think the cotton mills are entitled to protection. One fact that hasn't been brought out, they have got a 30 percent tariff production at this time.

Senator SCOTT. You just give us the same proportion all the way through, and I will accept it as a farmer. And I don't say we oughtn't to do these things, but I believe we are smart enough to work it out. If we just keep pumping these fellows here I think we can pump the truth out of them.

You have been doing an excellent job.

Mr. WEST. I would suggest calling Mr. Ramsay.

Senator EASTLAND. We will get to him.

Any question, Senator Schoeppel?

Senator SCHOEPPEL. No questions.

I enjoyed the statement very much.

Senator EASTLAND. Senator Scott?

Senator SCOTT. No questions.

Senator EASTLAND. I notice Senator Gore has been in the room for some time.

Is there anything you want to say, Senator Gore?

Senator GORE. I am sorry I didn't arrive in time to introduce my friend and constituent, Mr. West. But I have another friend I would like to introduce.

Senator EASTLAND. All right, sir.

Senator GORE. Mr. Chairman and gentlemen of the committee, the very handsome and stalwart gentleman before you is the future president of the Memphis Exchange, Mr. J. W. (Jack) Ramsay. I am sure he will give a statement that will command your attention.

STATEMENT OF J. W. RAMSAY, FIRST VICE PRESIDENT, MEMPHIS COTTON EXCHANGE, MEMPHIS, TENN.

Senator EASTLAND. Whom do you represent, Mr. Ramsay?

Mr. RAMSAY. I am the first vice president of the Cotton Exchange, which automatically makes me president of the Cotton Exchange next year.

They asked Sid West and myself to come up here and just give a few statements.

Senator EASTLAND. You represent the Memphis Cotton Exchange?

Mr. RAMSAY. I do.

Senator EASTLAND. All right, proceed.

Mr. RAMSAY. I, J. W. Ramsay, am the first vice president of the Memphis Cotton Exchange from Memphis. I have been farming, raising cotton and other crops and operating a cotton factorage business for the last 25 years. Through our cotton factorage business and agricultural credit corporation, we furnish funds to farmers, in the Memphis territory, to raise, cultivate and harvest, and also to market their cotton crop. The marketing end is a big end of it, because they come to you for advice and help along those lines.

These facts bring me in daily contact with the mounting problems of the different segments of the cotton people.

The members of the Memphis Cotton Exchange are greatly appreciative of the opportunity to express certain views to this committee. And, as Mr. West says, there are 175 members there, and you can't get them to agree on what should be done. Some think one thing and some something else. But these are some of their ideas.

As you know, the members of the Memphis Cotton Exchange serve a large segment of the entire cotton trade and Memphis is by far the largest spot cotton market in the world. We, therefore, see what is happening to the American cotton farmer and also to the rest of the cotton people.

With continued reduction of cotton acreage in this country the American cotton farmers are getting almost desperate and at the same time they see foreign countries continuing to increase their cotton acreage. It was bad enough when the cotton farmers had to just reduce their cotton acreage, but now after planting their diverted cotton acreage to other crops like wheat, rice and soybeans, they now find that these crops are now being curtailed drastically.

Small farmers and sharecroppers are being forced off the farms and forced into slum areas in the already overcrowded cities, causing more unemployment, crime, et cetera.

Along that line, Memphis is having the problem of what to do about these slum areas, because the families are being forced off the farms, they don't have any incomes, and they are being forced off the farms and into Memphis from cities like Clarksburg, Greendale, and places like that, and the housing situation is bad. It is making an intolerable situation.

Senator SCOTT. I would like to ask a question right there. You talk about creating these slums. Don't you think if we keep on depressing these farm prices they will create slums faster than the Government and the city of Memphis can clear up?

Mr. RAMSAY. I certainly do.

Senator SCOTT. I agree with you on that. And we are talking about this thing partly from the wrong end when we talk about slum areas. You have got to prevent them from coming in there.

Mr. RAMSAY. Yes, prevent them from coming to town.

Senator SCOTT. They should stay where they are.

Mr. RAMSAY. They are a whole lot better off there.

Senator SCOTT. They can stay where they are cheaper than anywhere else on the American soil. It is to the interest of the community as a whole, the Nation as a whole, to keep those people there if they can just survive—and I think they are entitled to do a little bit more than survive.

Mr. RAMSAY. In our little office we have had more farmers wanting to come in and get relocated—there have been more forced off by this cotton acreage than we have had for years.

It is estimated that over 50,000 families have been forced off the farms and over 130,000 families have had their prospective income reduced below a subsistence one.

The American cotton farmer is really in the ditch and is rapidly getting mired deeper, what with his cotton acreage being steadily reduced and now having his other alternative crops curtailed so drastically he does not know where to turn.

For the last couple of years when they cut down on the cotton acreage they could plant wheat or rice, and rice got to be quite a crop. Last year they cut us down on wheat, and now rice. They don't know where to turn now.

Senator SCOTT. Out there in your country, there is rice—before the Civil War we were a great rice-growing country in North Carolina, but I don't know what a stalk of rice looks like anymore. I have got to go out to your country to see one.

Mr. RAMSAY. We had a lot last year. I don't know what we are going to do now.

There unfortunately is no overall agreement by the cotton producers and other cotton people but nearly all seem to agree to the following:

1. There is a desperate and pressing need for the Secretary of Agriculture or someone in authority to announce just what their program will be, and thereby relieve the uncertainty. The Secretary of Agriculture's statement that there will be no subsidy or price adjustment has been ineffective in relieving this uncertainty in the minds of foreign cotton-consuming countries.

A lot of them write in and say they don't want to buy, they don't know what our plans are.

Senator EASTLAND. They just think we are foolish to follow the policy we do?

Mr. RAMSAY. They just don't come out and say it, but they certainly do think that.

Senator EASTLAND. Don't you think that other industry groups now control the farmers' policy as far as cotton is concerned?

Mr. RAMSAY. Senator, you know the farmers have not been organized. Some of these others are——

Senator EASTLAND. Answer my question.

Mr. RAMSAY. Off the record——

Senator EASTLAND. No, not off the record.

Mr. RAMSAY. Yes, I do.

Senator EASTLAND. In other words, the farmer is captive?

Mr. RAMSAY. Yes, sir.

Senator EASTLAND. There are other groups that are capitalizing on his political power to their own ends and using that to destroy him. Now, isn't that true?

Mr. RAMSAY. Yes, sir.

Senator EASTLAND. Is that true of some of the organizations to which he belongs? He belongs to them, he helps finance them, and yet when it comes to these tremendous problems of great concern they don't act for his welfare.

Mr. RAMSAY. Senator, I am afraid that so many of us are just interested in our own little problems——

Senator EASTLAND. I know, but answer my question.

Mr. RAMSAY. Yes, I agree with you a hundred percent.

Senator EASTLAND. Proceed.

Mr. RAMSAY. 2. For the long-time range: They believe that some plan will have to be worked out to gradually reduce the cost of American cotton. This is to be done as technical knowledge and experience justifies. But also we must impress upon the foreign-cotton producing countries that we cannot and will not sit back and let them continue to take our cotton acreage and the livelihood from the American cotton farmers.

3. That something should and must be done to cut down our large surplus of cotton and to prevent it from accumulating again. But in doing so we must be very careful not to cause any sudden or drastic drop in prices which would tend to wreck the cotton industry all the way from the producer to the spinner.

I want to think you gentlemen for giving me the opportunity to present these views.

Thank you.

Senator EASTLAND. Senator Scott?

Senator SCOTT. No questions.

Senator EASTLAND. Senator Schoeppel?

Senator SCHOEPPEL. I was interested in your last statement:

> In doing so, we must be very careful not to cause any sudden or drastic drop in prices which would tend to wreck the cotton industry all the way from the producer to the spinner.

Mr. RAMSAY. Senator, we have got to be awfully careful on that.

Senator SCHOEPPEL. I recognize that. But some place there comes a time when you are going to move these surpluses out.

Mr. RAMSAY. That is right.

Senator SCHOEPPEL. Because as long as you have those surpluses your little cotton farmer, my wheat farmer, the rice farmer, the tobacco farmer, right on down the line, is going to be cut down in his acre-

age in order to absorb those surpluses; and while we are doing that—they are all sitting around this table, and they come in here and tell us what is happening over the border and across the seas, and they are building it up. Those markets are going to be harder to recapture. Sometime there will come a time, if you are going to meet these competitive prices, you are going to have to move in on them, and then prices are going to fall.

Senator EASTLAND. Do you believe that "sometime" is now?

Senator SCHOEPPEL. I certainly don't believe it is tomorrow or 5 years down the line. I think you are going to have to establish a policy and move into it. I don't think we should dump this indiscriminately, that shouldn't be done. We don't do things that way.

Mr. RAMSAY. I know you don't.

Senator SCHOEPPEL. And some of our foreign brethren, and foreign allies of the yesterdays—I don't know whether they are today, I will be honest with you—they object to almost everything, and yet they want to take the American dollar that you and I, sitting around here, know must come by way of taxation from the American farmers and the American business people. And if we make enough money, it is taken away from us to a certain degree, in taxation. But we are going to have to, I honestly am convinced, determine a policy of how we are going to move into the markets we had before, and they are not going to like it. If we are going to sit back, if we are going to say, "We are afraid we are going to hurt our English brethren and the French folks and some of the rest of them," it is going to be put off.

Senator EASTLAND. If we take that position, then we are a bunch of fools.

Senator SCHOEPPEL. I am not willing to let others dictate our policy all the way down the line; I think we are going to have to meet this problem with more vigor. I believe when we do that, we are on much safer ground in the interest of American agriculture. Sure, you will have some fluctuations, but this thing will bob back—and maybe there will be some discouragement from a lot of big, powerful American interests that want to go into many of these areas where they can hire people for 75 cents a day, maybe less, go in there with these big projects which mean dollars and cents, that they can make a lot of money out of.

That is a pretty cold-blooded statement, but it looks like that is what is happening in these areas.

Mr. RAMSAY. Senator, if you don't do something, the farmers are going to have to keep moving off of these areas.

Senator EASTLAND. Let me ask you this question: Are you in the financing business, too?

Mr. RAMSAY. Yes, sir.

Senator EASTLAND. What has this last reduction this year done to the value of farmland, its real value?

Mr. RAMSAY. Senator, so far it hasn't hurt the value, really, like I thought it was going to, for this reason——

Senator EASTLAND. What is it going to do?

Mr. RAMSAY. You are going to lose the value, and what has happened so far, when they cut down each one, everybody is trying to save his own neck and is trying to rent his next door neighbor's place.

Senator EASTLAND. The allotments are so low that you can rent

cotton acreage at fabulous prices, because a man will go on there just to get a little credit to buy bread.

Mr. RAMSAY. He will. He will rent cotton acreage and let the rest of the land go. I haven't seen a tenant house being built on a farm in the last 3 years, while in town they are building everything.

Senator SCHOEPPEL. The thing that is disturbing me is what I hear from your cotton country, and I have been hearing it from the tobacco country, the same situation. You say rice is in difficulty, too, and I am going to take your word for it.

I know in the wheat areas, with the tremendous surpluses, while the farming areas and the farmers generally, where they operate their farms, are pretty well self-sustaining—I mean, they raise their food, and so forth—but we are getting to a point—for instance, out in my country, if we are going to have to cut the wheat acreage and go to other varieties, we are going to get to the place where the same thing will happen to us that is happening down in your country, it becomes an uneconomical unit.

Now, you are what is known as a factor. We don't use that word up in my country; it is not in common usage. But I will bet you if they cut this cotton acreage another 5 or 10 percent you wouldn't loan much money.

Mr. RAMSAY. We would hesitate very much, and we hesitate to do so now.

Here is what is coming in. They are coming in, for instance, a man with a thousand acres, a hundred, fifty, or ten, and he is cut down. We ask him what his cotton acreage is; he says he was cut down 25 percent. We ask him how much he is going to need, and he says he is going to have to have about the same amount as before. We say, "You can't expect to pay that back." He says, "I know, but I have some tenant farmers that I am trying to take care of; I have got these notes on the land, mortgage payments due, I owe on my tractors yearly payments, and I just can't get along on less money."

Senator SCHOEPPEL. What would you do? You wouldn't loan him that much money?

Mr. RAMSAY. No.

Senator SCHOEPPEL. If you are operating that big, and you do it in 10,000 instances and somebody else does it, too, where is that man going to go? He is going to have to move into your city, or some place else, isn't he; he is going to have to go on the relief rolls?

Mr. RAMSAY. That is right.

Senator EASTLAND. It has gotten to be a social question.

Mr. RAMSAY. There is no doubt of that.

Senator SCHOEPPEL. That is why I think that we have to do something to alleviate it. You just can't let these conditions continue for a number of years, because you are going to have tens and hundreds and thousands of these people leaving their previously gainful employment, and you are going to move them onto the relief rolls.

Mr. RAMSAY. You have got to take care of them on relief, because they can't get jobs; they are not trained for that, they are trained for farm work.

Senator EASTLAND. A lot of people want to get credit to pay their debts and make a crop this year, don't they?

Mr. RAMSAY. Yes, sir.

Senator EASTLAND. What happens to that credit source when he takes the money you let him have and pays his debts with it and runs the next month on credit, and then can't pay his bills?

Mr. RAMSAY. He is having to move off. We have several on the books right now that owe those kind of debts.

Senator EASTLAND. What happens to that business out there?

Mr. RAMSAY. That business is suffering.

Senator EASTLAND. I think your statement has been very helpful, and we appreciate it.

Mr. RAMSAY. I certainly appreciate the opportunity of coming up here and putting in our views.

Senator EASTLAND. That gets everybody but Mr. Dunn, and it is getting very late. Frankly, I am tired.

If it suits you gentlemen, I would like for Mr. Dunn to put his statement in the record, and then for him to come back for examination at some other time.

Senator SCHOEPPEL. That will be all right with me, if it is satisfactory.

(The statement referred to is as follows:)

STATEMENT FILED BY READ P. DUNN., JR., DIRECTOR, FOREIGN TRADE DIVISION NATIONAL COTTON COUNCIL

My name is Read P. Dunn, Jr. I am director of the foreign trade division of the National Cotton Council which is the overall organization of the cotton industry including all six segments of the primary cotton interest groups.

The necessity for expanding cotton exports is clearly established. The present drastic reduction in allotted acres is resulting in inefficient use of labor, machinery and management, and increased unit cost. The forced diversion of acres from cotton to other crops, and to dairy and livestock aggravates the surpluses of these products and contributes to further imbalance in the Nation's agriculture. The loss of income resulting from this reduced production seriously affects the economy of the Cotton Belt and accentuates the disparity between the welfare of agricultural groups and the rest of the economy, which is relatively prosperous.

The short-range aspects of the problem are complicated by the rather large carryover in the United States which, it is estimated, will be near 10 million bales at the end of this current season. No significant relief from the present stringent acreage control is likely until this surplus is greatly reduced.

To understand the problem it may be helpful to review briefly the recent developments.

By 1950 foreign consumption and foreign production of cotton regained the losses experienced during and immediately after World War II and were both approximately equal to the levels attained in the 3 years immediately preceding the war. (See chart on foreign production and consumption at end of statement.)

Since 1950, foreign cotton consumption has risen 4.5 million bales from 22.5 million to an estimated 27 million in 1954–55—an average gain of 1,125,000 bales a year. In the same period foreign cotton production has risen 4.6 million bales from 18.4 million to an estimated 23 million in the current season; an average gain of 1,150,000 bales per year. (See tables at end of statement.)

By 1950 foreign production of synthetic fibers had climbed to the equivalent of 5.3 million bales, some 1.8 million bales above the rate in 1937. By 1954 output was up to 7.8 million bales, an average increase of 650,000 bales per year. Though consumption data are not available, use is believed to have equaled production over the period as a whole. (See tables at end of statement.)

By 1950 cotton stocks in foreign countries were at approximately the same level as the average of the 3 years preceding the war and the position is expected to be approximately the same at the end of the current season (9.8 million bales). However, as a percentage of consumption this will be about the lowest carryover on record. It should be pointed out here that stocks in foreign consuming countries should be at least a million bales larger than they are at present to provide balance and efficient mill operation. Price uncertainty is the main reason for the low level of these stocks. (See tables at end of statement.)

The price of United States cotton is equal to or in some cases slightly below the equivalent quality of most foreign growths at the present time, except for those particular qualities which are in relatively scarce supply in the free stocks in this country. These scarce supplies, primarily in lower grades and longer staples, are valued in the domestic market up to 378 points over the loan rate. Many of these qualities are not competitive in price on the world market.

Prices of synthetic fibers abroad are 15 to 25 percent below cotton for substitutable qualities. (See chart at end of statement.)

The fact that the increase in foreign cotton production is expected to exceed the increase in foreign cotton consumption this season by some 800,000 bales has given rise to fears that a new trend has been established which will reduce requirements for United States cotton abroad in years to come. However, the 1954–55 season was unusally favorable in many countries. The greatest expansion in output in foreign countries last year was in Mexico, where the crop showed an increase of 535,000 bales. Practically all of this resulted from the increase in the average yield of nearly 40 percent. Acreage expanded only 3 percent. Pakistan showed an increase of 120,000 bales resulting entirely from a 14-percent increase in yield. Turkey increased production by 50,000 bales in spite of a 3-percent decline in acreage. This rate of increase in output can hardly be expected to continue over the course of the next 3 or 4 years.

Production increases in the years immediately ahead will be influenced primarily by the rate of construction of new irrigation facilities to extend the cultivated area and to provide a more adequate water supply on land now planted to cotton which will tend to increase yields. In the past 20 years about half of the expansion in the foreign world has come from an increase in the acreage and half from increases in yields. Inasmuch as science is being utilized to a greater degree than ever before over the world in cotton production, it is entirely probable that yields may rise faster in some countries in the future than in the past, but this will necessarily be a relatively slow pace except where yields improve as a result of irrigation.

There are a number of important factors that can be expected to stimulate an increase in both acreage and yield in the future. Since the world deficit of food now largely has been met, capital and know-how are being invested in greater volume in the production of nonfood crops such as cotton. Foreign governments are encouraging this development because of their desire to expand their foreign exchange earnings.

Still the physical limitations to expansion are known to be very great. In the rain belt the opportunities for expansion are limited, largely for lack of labor and unstable soil types. Scattered and small-scale operations also handicap efficient production. The greatest opportunities are undoubtedly in the semiarid areas of the Temperate Zone, principally the Near and Middle East. In many of these areas new irrigation facilities have been or are in process of being constructed. New large scale projects will doubtless be very expensive and will take considerable time and effort. In the meantime expansion may be expected from scattered small scale irrigation projects, and from certain scattered areas of the rain belt. Some further improvement in yields is also probable. It would, therefore, be most surprising if production expands during the next 5 years as rapidly as in the 5 preceding years.

The rate of this development will, of course, be influenced by price, especially the price of cotton in relation to the price of other products which compete for the land. Precisely how much influence price will have is not known and is virtually impossible to determine. It is generally believed, however, that a great reduction in the price of cotton relative to other crops would be necessary to cause a decline in foreign cotton output. Whether a small reduction of a few cents a pound in price would cause any significant change in the rate of expansion is uncertain and debatable.

There is also a tendency for the production of synthetic fibers to rise around the world. Output abroad during the last year continued its climb, adding the equivalent of over half a million bales, though United States production declined slightly. New capacity is being steadily added, especially in the relatively undeveloped countries and a further increase of 7 percent in plant facilities in the foreign world is planned for the immediate future. Despite the increase in production, output as a percent of capacity has declined from a high of over 90 percent in 1951 to an average of approximately 85 percent in 1954 for the foreign world.

Cotton consumption shows a strong tendency to rise in the foreign world. The greatest increase has been in the industrial countries of Europe where per

capita use is now 5 to 10 percent above prewar. In the raw material producing areas, such as Asia, where half the world's population lives, per capita use is still below prewar by 10 to 15 percent, but even in these areas the trend is now definitely upward.

The foreign consumption of rayon has increased from about three-quarters of a pound per capita in 1938 to about 1.2 pounds per capita, registering an increase in practically every country. (See attached table.)

The long-term upward trend in consumption of the major textile fibers in the past has been at the rate of roughly 2 percent per year, of which slightly more than half is attributed to the growth in population and slightly less than half to the growth in buying power. However, trends in recent years in many countries show a much higher growth rate. Canada and the United States have had an expansion of almost 3 percent per year since the midthirties.

Projecting the consumption of cotton and synthetic fibers at the 2-percent rate would indicate an expansion per year of about 700,000 bales. Actually for the past 4 years the increase in consumption of the 2 fibers combined was more than double this rate (about 1.8 million bales a year). Cotton's absolute gain has been greater than that for the synthetic fibers abroad, though its relative position has continued to decline slightly. Part of this total fiber expansion in the last few years undoubtedly has been in replenishing wardrobes. The Western World only recovered its prewar position on a per capita basis in the last few years. However, there is good reason to expect that the growth rate in the future will exceed the historic rate.

The population growth should account for something more than 1 percent growth per year in the consumption of all textile fibers. There are many indications that incomes may step up much faster in the years ahead than in the years before World War II both in the industrial and the undeveloped countries. This would influence a higher rate of textile consumption.

It is our opinion that there must be an expansion in the total textile market and certainly in the market for cotton goods if we are to expand our exports significantly. The present markets for which we are competing are far too small.

It is our opinion that the same tools and techniques of research, development and promotion that have been used to expand cotton consumption in this country from about 6 million bales of cotton before the war to about 9 million bales now can also be used to expand consumption abroad.

There are in every economy people who exercise some choice over how they spend at least part of their income. The number of people in this group is increasing as incomes expand around the world. All these people are potential customers for more cotton textiles if we can but stimulate their desires to dress themselves better and make their homes more attractive.

Those millions who do not now have the means of increasing their purchases of cotton products are nevertheless potential customers, too, if we can but whet their desires and stimulate their productivity. In French North Africa, for instance, we find the consumption of textiles, mainly cotton, is declining seriously. Incomes are not dropping. They may actually be rising. The real reason is found in the consumption of alcohol which is up 800 percent. Surely through promotion we can stimulate the desire of these people for better clothing and thus discourage their improvidence.

Then, there is a tremendous opportunity to expand consumption at any given level of income through lowering the cost of clothing by introducing the techniques of mass production garment manufacturing and modern systems of distribution.

We are now making plans to work closely with industry groups, first in Europe and then with other countries around the world in developing and operating programs to expand consumption of cotton textiles in the home markets of those countries. Incidentally, the United States Department of Agriculture has requested our cooperation in the development of new and expanded uses for agricultural commodities under Public Law 480.

This still means, of course, that United States cotton will have to meet its competition from the standpoint of price and quality in order to share in this expanded market.

Special financing will be required as there will undoubtedly be a number of customer countries with balance-of-payment problems. Export-Import Bank credits and programs like Public Law 480 will definitely be useful and should be pushed. Both of these could be changed to be made more effective. However, a more permanent solution of the problem of financing exports must be found.

A special subcommittee of the National Cotton Council is now exploring the whole problem of expanding cotton exports and will report to the full Foreign Trade Committee in a special meeting on March 16, 1955. The Foreign Trade Committee will then report to the board of directors the following day.

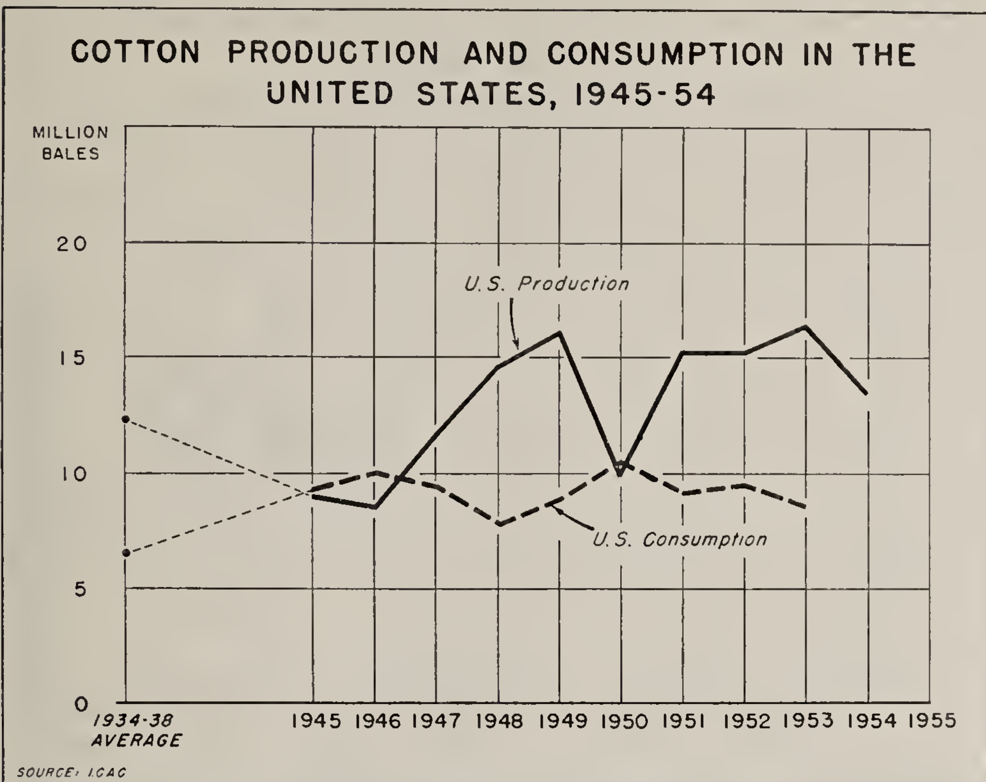
Until that time the National Cotton Council cannot be more specific than it has been in its general resolutions on foreign trade adopted at its recent annual meeting, copy of which is attached.

RECOMMENDATIONS OF COMMITTEE ON FOREIGN TRADE

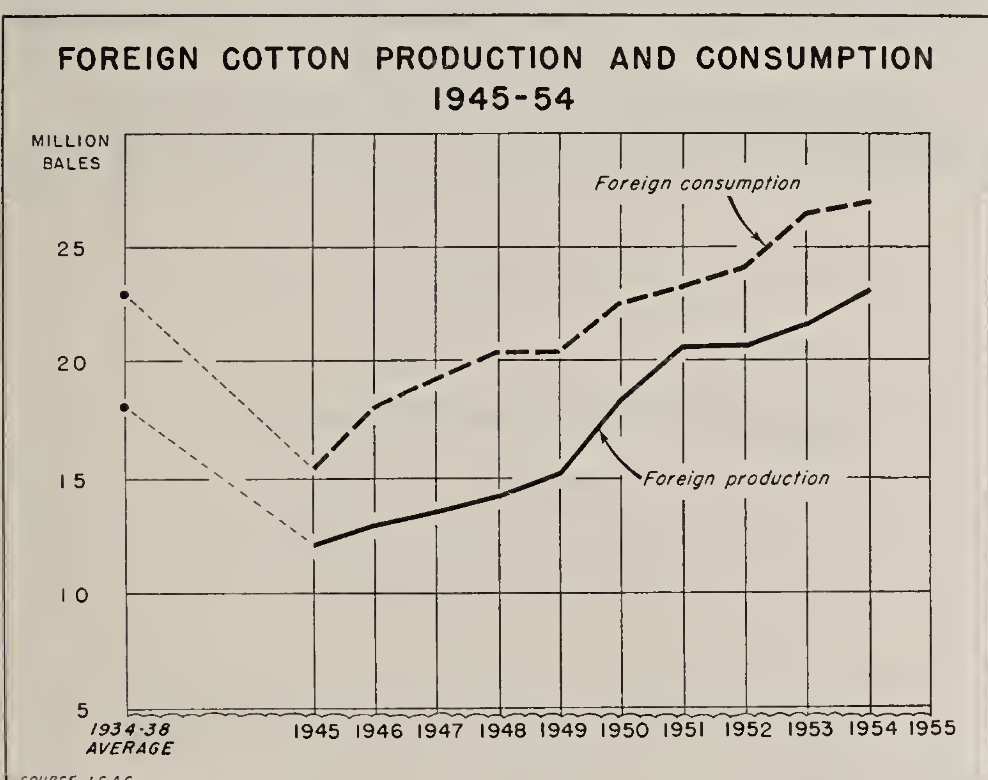
The Committee on Foreign Trade recommends for 1955:

1. That the council reaffirm its belief that maintaining a high level of international trade and a wider distribution of goods and services throughout the world is vital to the continued prosperity of the cotton industry and to the national economy, as well as to the security of the free world; and further, that the convertibility of currencies and multilateral trade through normal private channels are necessary conditions to full attainment of such objectives;
2. That the council reaffirm its position approving the sale of surplus agricultural commodities for foreign currencies;
3. That the council support an amendment to section 102 (a) of the Agricultural Trade Development and Asistance Act of 1954 to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks;
4. That the president of the council, after consulting with the chairman of the Foreign Trade Committee, appoint a subcommittee to explore the possibilities for expanding exports of cotton and its products;
5. That, recognizing that the greatest opportunity to expand United States exports of cotton and cotton products is through increased per capita consumption of cotton goods over the world, the council expand its efforts to encourage general economic development, advertising and sales promotion, market research and development, and more efficient production and distribution of basic cotton garments throughout the world;
6. That the council cooperate with the United States Department of Agriculture in the development and execution of specific programs in market research and sales promotion in foreign countries under the authority contained in Public Law 480 for the development of new and expanded markets for agricultural surpluses;
7. That the council emphasize its position as to the paramount importance of cotton to our national economy and that continuous efforts be made by the officers and staff to acquaint highest-level Government officials with the necessity of expanding markets at home and abroad.

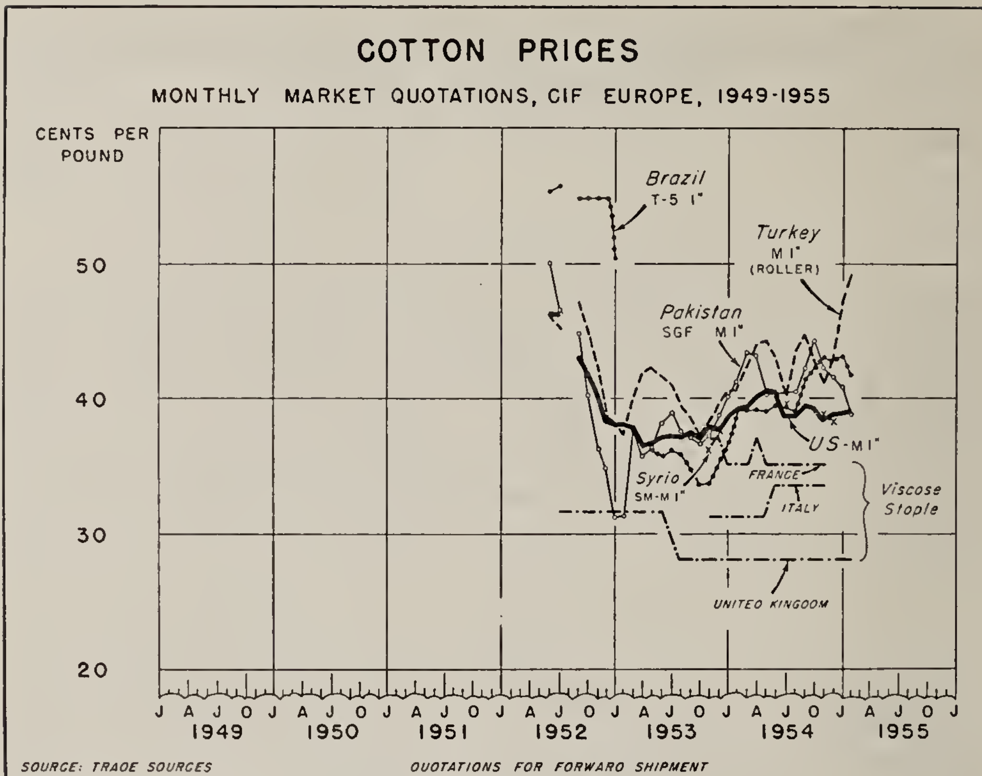
Approved by the delegate body of the National Cotton Council of America, February 1, 1955, Houston, Tex.



Prepared by National Cotton Council of America, February 1955.



Prepared by National Cotton Council of America, February 1955.



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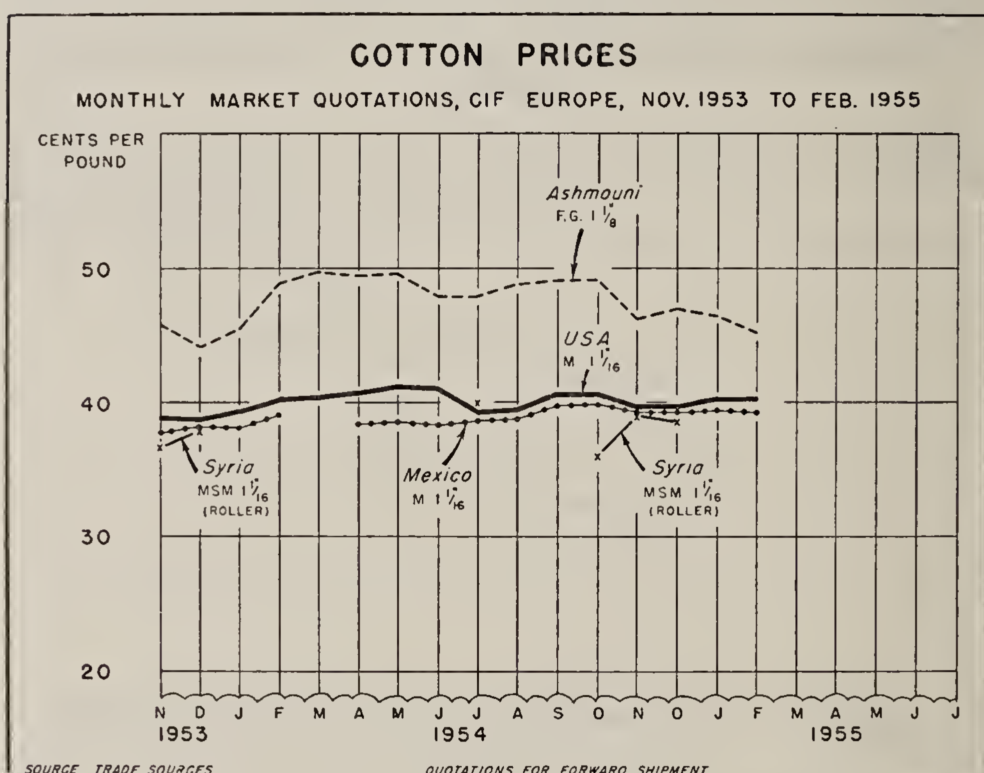

Prepared by National Cotton Council of America, February 1955.

Cotton statistics: Stocks, production, and consumption for United States, rest of world, and total world, and United States exports, 1945–54, with comparisons [1]

[Millions of bales [2]]

Year beginning Aug. 1	United States			Rest of world			Total world			United States exports
	Stocks	Production [3]	Consumption	Stocks	Production	Consumption	Stocks	Production	Consumption	
1925	1.6	16.2	6.5	6.4	10.6	17.7	8.0	26.8	24.2	8.1
1926	3.5	18.2	7.2	6.9	9.8	18.5	10.4	28.0	25.7	10.9
1927	3.8	13.0	6.8	8.9	10.4	18.6	12.7	23.4	25.4	7.5
1928	2.5	14.5	7.1	8.0	11.2	18.7	10.5	25.7	25.8	8.0
1929	2.3	14.7	6.1	8.2	11.5	18.8	10.5	26.2	24.9	6.7
1930	4.5	13.9	5.3	7.4	11.5	17.2	11.9	25.4	22.5	6.8
1931	6.4	16.9	4.9	8.4	9.6	18.0	14.8	26.5	22.9	8.7
1932	9.7	13.0	6.1	8.7	10.5	18.5	18.4	23.5	24.6	8.4
1933	8.1	12.7	5.7	9.0	13.4	19.9	17.1	26.1	25.6	7.5
1934	7.7	9.6	5.4	9.8	13.5	20.1	17.5	23.1	25.5	4.8
1935	7.2	10.5	6.3	7.9	15.6	21.2	15.1	26.1	27.5	6.0
1936	5.4	12.4	8.0	8.2	18.4	22.7	13.6	30.8	30.7	5.4
1937	4.5	18.4	5.7	9.2	18.3	21.8	13.7	36.7	27.5	5.6
1938	11.5	11.7	6.9	11.2	15.8	21.6	22.7	27.5	28.5	3.3
1934–38 [4]		12.4	6.5		18.1	22.9		30.5	29.4	
1945	11.2	9.0	9.2	18.0	12.2	15.4	29.2	21.2	24.6	3.6
1946	7.3	8.6	10.0	18.0	13.0	18.0	25.3	21.6	28.0	3.5
1947	2.5	11.7	9.4	16.0	13.6	19.3	18.5	25.3	28.7	2.0
1948	3.1	14.7	7.8	11.6	14.3	20.4	14.7	29.0	28.2	4.7
1949	5.3	16.0	8.9	9.8	15.2	20.4	15.1	31.2	29.3	5.8
1950	6.8	9.9	10.5	9.9	18.4	22.5	16.7	28.3	33.0	4.1
1951	2.3	15.2	9.2	9.4	20.7	23.3	11.7	35.9	32.5	5.5
1952	2.8	15.2	9.5	12.2	20.7	24.2	15.0	35.9	33.7	3.0
1953	5.6	16.4	8.6	11.2	21.6	26.5	16.8	38.0	35.1	3.8
1954	9.7	13.5		9.8	23.0	27.0	19.5	36.5	35.7	

[1] All data on cotton stocks, production, consumption, exports and prices for period 1925–38 taken from Statistics on Cotton and Related Data, June 1951, USDA, and subsequent releases. Data on world production and consumption excludes noncommercial cotton prior to 1945, but includes it from 1945 onwards. All data on cotton stocks, production and consumption from 1945 onwards taken from International Cotton Advisory Committee, Quarterly Statistical Bulletin. These data from 1945 onwards, which include noncommercial production and consumption, are not directly comparable with the series prior to 1938–39.

[2] United States cotton statistics in running bales; rest of world in 500-pound gross weight bales

[3] United States production includes ginnings of new crop prior to Aug. 1 and "city crop."

[4] The 1934–38 average as calculated by ICAC to include noncommercial production and consumption is included to provide a comparable basis for comparing total cotton production and consumption trends since 1945 with a prewar period. (Source: International Cotton Advisory Committee.) Noncommercial cotton though declining quantitatively since prewar, still amounts to more than a million bales annually.

Synthetic fiber production for United States, rest of world, and total world, and related data, 1945–54, with comparisons

Year	Synthetic fiber production (million bales cotton equivalent) [1]			Equivalent price of usable fiber (cents per pound)		
	United States	Rest of world	Total, world	Middling 15/16 inch [2]	Staple middling 1 1/16 inches [2]	Staple fiber [3]
1925	0.1	0.3	0.4			
1926	.1	.4	.5			
1927	.2	.5	.7			
1928	.2	.6	.8	22.9	25.8	63.0
1929	.3	.7	1.0	19.8	22.5	63.0
1930	.3	.8	1.1	12.6	14.8	63.0
1931	.4	.8	1.2	7.9	9.7	54.6
1932	.3	.9	1.2	8.9	10.5	42.0
1933	.5	1.1	1.6	13.5	15.4	38.8
1934	.5	1.4	1.9	15.5	17.3	35.7
1935	.6	1.9	2.5	14.8	16.5	34.6
1936	.7	2.4	3.1	16.4	18.5	29.4
1937	.8	3.5	4.3	11.6	13.3	26.2
1938	.7	3.8	4.5	11.3	12.7	26.2
1945	2.0	1.4	3.4	31.3	33.2	26.2
1946	2.1	2.0	4.1	41.8	43.4	30.6
1947	2.4	2.4	4.8	41.4	44.9	36.3
1948	2.8	3.1	5.9	38.9	41.6	38.4
1949	2.6	4.0	6.6	38.6	42.4	36.8
1950	3.3	5.3	8.6	51.2	54.5	40.9
1951	3.5	6.6	10.1	47.5	50.2	42.0
1952	3.3	5.9	9.2	41.7	44.6	48.9
1953	3.5	7.1	10.6	40.6	43.4	35.7
1954	3.4	[4] 7.9	[4] 11.3	[5] 41.8	[5] 44.4	[5] 35.7

[1] Statistics on Cotton and Related Data, USDA, June 1951, table 325 and Textile Organon. Rayon and acetate production on calendar-year basis converted to cotton equivalent at rate of 425 pounds per 500 pound gross weight bale of cotton.

[2] Statistics on Cotton and Related Data, USDA, June 1951, table 329 and subsequent releases. Price of Memphis territory growths landed group B mill points.

[3] Statistics on Cotton and Related Data, USDA, June 1951, table 329 and subsequent releases. United States wholesale price of viscose, 1½ denier and assuming net waste multiplier of 1.05.

[4] Preliminary.

[5] Latest month, October 1954.

Cotton statistics—Acreage, yield and production for United States, rest of free world and total free world, 1935–55 with comparisons

Item	Average, 1934–35 1938–39	Average, 1949–50 1953–54	1949–50	1950–51	1951–52	1952–53	1953–54	1954–55 [1]	Change in 1954–55 from 1953–54	
	Million acres									Percent
Acreage:										
United States	28.4	24.5	27.4	17.8	26.9	25.9	24.3	19.2	−5.1	−21
Other countries	41.1	38.0	32.0	37.0	41.2	39.9	39.8	43.3	+3.5	+9
Major [2]	36.4	33.0	27.8	32.5	35.9	34.6	34.1	37.1	+3.0	+9
Minor	4.7	5.0	4.2	4.5	5.3	5.3	5.7	6.2	+.5	+9
Free world total	69.5	62.5	59.4	54.8	68.1	65.8	64.1	62.5	−1.6	−3
	Pounds per acre									
Yield:										
United States	212	283	282	269	269	280	324	339	+15	+5
Other countries	138	161	160	160	155	164	163	167	+4	+2
Major [2]	144	165	165	165	160	169	167	169	+2	+1
Minor	92	134	125	128	126	135	143	154	+11	+8
Free world total	169	209	215	195	202	208	224	219	−5	−2
	Million bales									
Production:										
United States	12.4	14.5	16.0	9.9	15.2	15.2	16.4	13.5	−2.9	−18
Other countries	11.8	12.8	10.8	12.3	13.5	13.7	13.7	15.2	+1.5	+11
Major [2]	10.9	11.4	9.7	11.1	12.1	12.2	12.0	13.2	+1.2	+10
Minor	.9	1.4	1.1	1.2	1.4	1.5	1.7	2.0	+.3	+18
Free world total	24.2	27.3	26.8	22.2	28.7	28.9	30.1	28.7	−1.4	−5

[1] Preliminary.
[2] Mexico, India, Pakistan, Turkey, Syria, Brazil, Argentina, Peru, Egypt, Sudan, Uganda, Belgian Congo.

Source: International Cotton Advisory Committee, February 1955.

World consumption of major apparel fibers

Year	Total consumption (thousand metric tons)				Population (millions)	Per caput consumption (kilograms)			
	Cotton	Wool	Rayon	Total		Cotton	Wool	Rayon	Total
1938	6,200	945	875	8,020	2,161	2.87	0.44	0.44	3.71
1948	6,282	1,168	1,113	8,563	2,350	2.67	.50	.47	3.64
1949	6,162	1,111	1,226	8,499	2,378	2.59	.47	.52	3.57
1950	6,392	1,216	1,584	9,192	2,412	2.65	.50	.66	3.81
1951	7,197	1,034	1,828	10,059	2,436	2.95	.42	.75	4.13
1952	7,069	1,065	1,620	9,754	2,470	2.86	.43	.65	3.94
1953	7,341	1,180	1,878	10,399	2,502	2.93	.47	.75	4.15
1954 [1]	7,600	1,100	2,000	10,700	2,535	3.00	.43	.79	4.22

[1] Preliminary.

NOTE.—World per capita consumption of cotton, rayon, and wool shows an increase of 13.7 percent since 1938. World per capita cotton consumption shows an increase of 4.5 percent since 1938.
Source: Food and Agriculture Organization of the United Nations, Rome, Italy, 1955.

Cotton prices—Monthly market quotations, CIF, Europe, selected months, 1952–55 [1]

[Cents per pound]

Date	United States, M 1-inch	Brazil, T-5 1-inch	Turkey,[2] M 1-inch, roller	Pakistan,[3] (Pulas) SGF-M 1-inch	Syria, SM-M 1-inch, roller
1952: June	46.25	55.30	46.10	50.20	
July	46.00	55.80	45.00	46.50	
August					
September	43.00	54.80	47.30	44.70	
October	41.80	54.80	44.90	40.28	
November	40.25	54.80	42.00	36.20	
December	38.33	54.80	38.53	34.37	
1953: January	38.12	50.30	38.27	31.15	
February	38.10		37.23	31.33	
March	37.70		40.00	37.55	
April	36.40		41.97	35.70	
May	36.70	36.17	42.16	36.36	
June	37.08	35.70	41.55	38.15	
July	37.30	36.20	41.00	38.98	
August	37.02	35.98	39.34	37.55	
September	37.52	34.72	38.52	36.93	
October	37.10	33.55	37.25	36.45	
November	37.90	33.70	38.10	37.02	36.30
December	37.71	35.18	39.55	38.72	37.70
1954: January	38.50	36.52	40.62	40.18	
February	39.25	39.05	40.85	41.22	
March	39.39	39.20	42.35	43.37	
April	40.18	39.19	44.15	43.14	
May	40.65	38.96	44.35	40.34	
June	40.55	39.57	43.02	40.48	
July	38.54	39.30	40.30	40.50	39.70
August	38.59	38.90	43.50	40.50	
September	39.50	41.40	44.70	42.28	
October	39.30	42.22	42.54	44.31	
November	38.41	43.00	41.12	42.38	38.70
December	38.76	42.70	42.75	41.58	38.23
1955: January	38.88	43.02	47.39	40.86	
February	38.98	41.75	49.92	38.70	
March					

[1] Quotations for forward shipment.
[2] Turkey, November 1953 to February 1955, cotton grade M 1-inch T-47; June 1952 to November 1953, cotton grade SM-M, 1 1/32 to 1 1/16-inch.
[3] Pakistan, November 1953 to February 1955, Pulas-SGF-M 1-inch; June 1952 to November 1953, cotton grade SGF-M 1 to 1 1/32-inch.

Source: Trade sources.

Cotton prices—Monthly market quotations, CIF, Europe, November 1953 to February 1955 [1]

[Cents per pound]

Date	United States, M 1 1/16-inch	Mexico, M 1 1/16-inch	Ashmouni, GM 1 1/8-inch	Syria, M-SM 1 1/16-inch, roller
1953: November	38.85	37.70	45.85	36.60
December	38.60	38.15	44.10	38.00
1954: January	39.39	38.00	45.40	
February	40.15	39.02	48.88	
March	40.26		49.80	
April	40.64	38.40	49.45	
May	41.06	38.51	49.60	
June	40.95	38.38	47.95	
July	39.34	38.53	47.89	40.00
August	39.46	38.70	48.78	
September	40.64	39.80	49.05	
October	40.68	39.90	49.09	35.93
November	39.70	39.20	46.31	39.00
December	39.86	39.30	47.06	38.50
1955: January	40.22	39.46	46.40	
February	40.33	39.30	45.17	

[1] Quotations for forward shipment.

Source: Trade sources.

Senator EASTLAND. We will recess now, until further call of the Chair.

(Whereupon, at 4:55 p. m., the committee adjourned.)

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S. 782

A BILL

84th CONGRESS
1st Session

S. 752

IN THE SENATE OF THE UNITED STATES

January 26, 1955

Mr. Eastland (for himself and Mr. Schoeppel) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

"Sec. 102 (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section,

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(1) shall make available for sale hereunder to domestic exporters, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended."

84TH CONGRESS
1ST SESSION

S. 752

A BILL

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

By Mr. EASTLAND and Mr. SCHOEPPEL

JANUARY 26, 1955

Read twice and referred to the Committee on Agriculture and Forestry

H. R. 3251

IN THE HOUSE OF REPRESENTATIVES.

A BILL

84TH CONGRESS
1ST SESSION

H. R. 3231

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1955

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks reported thereunder be replaced from Commodity Credit Corporation stocks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

"SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic

I

exporters surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended."

84TH CONGRESS
1ST SESSION

H. R. 3231

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To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks reported thereunder be replaced from Commodity Credit Corporation stocks.

By Mr. POAGE

JANUARY 27, 1955

Referred to the Committee on Agriculture

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued February 24, 1955
For actions of February 22, 23, 1955
84th-1st, Nos. 32-33

CONTENTS

See end of Digest for highlights.

HOUSE Feb. 22

1. SOIL CONSERVATION. The Agriculture Committee reported without amendment H. R. 1573, to repeal Sec. 348 of the Agricultural Adjustment Act of 1938, which makes ACP payments contingent upon compliance with acreage allotments on basic crops (H. Rept. 67)(p. 1614).

2. SOYBEANS. Rep. Jones, Mo., spoke against the Department's proposed revision of the soybean grade standards, claimed that every person attending the Memphis hearing on this proposal expressed opposition to it, and inserted a constituent's letter to the Department on this subject (pp. 1610-1, A1128-9, A1134-5).

3. HIGHWAYS. Both Houses received the President's message on national highways (H. Doc. 99)(pp. 1597, 1606-7).

4. TAXATION. The Ways and Means Committee reported without amendment H. R. 4259, to extend for 1 year the existing corporate normal-tax rate and certain excise-tax rates, and provides a $20 credit against the individual income tax for each personal exemption (H. Rept. 69)(p. 1614).

5. FORESTRY. Both Houses received from this Department a proposed bill to authorize the Secretary to establish townsites within the national forests; to H. Agriculture Committee and S. Agriculture and Forestry Committee. (pp. 1614, 1617).
Received an Alaska Legislature resolution favoring issuance of a fee-simple title to the Pacific Northern Timber Co. of certain necessary tidelands in Shoemaker Bay (p. 1615).

6. MINERALS; LANDS. The "Daily Digest" states that the Interior and Insular Affairs reconsidered H. R. 100, to permit mining, development, and utilization of the mineral resources of all public lands withdrawn or reserved for power development, adopted an amendment thereto, and again ordered the bill reported (p. D128).

7. RECLAMATION; ELECTRIFICATION; DROUGHT RELIEF; STATEHOOD. Received various State Legislature resolutions and other petitions favoring authorization of the Libby project, extension of the emergency drought relief feed program, and statehood for Alaska (p. 1615).

8. TARIFFS; TREATIES. Received a Mass. Legislature memorial opposing legislation lowering tariffs on imports of rubber products, and a Knights of Columbus (Brooklyn, N. Y.) petition favoring the Bricker amendment to restrict the President's treaty power (p. 1615).

9. INVESTIGATIONS. The Rules Committee reported with amendment H. Res. 91, authorizing the Foreign Relations Committee to investigate matters under its jurisdiction, including laws, regulations, etc., of the State Department and other Departments, etc., which participate in the development and execution of foreign policy (H. Rept. 64); and with amendment H. Res. 105, authorizing the Interstate and Foreign Commerce to investigate matters under its jurisdiction (H. Rept. 65) (pp. 1608-9).

SENATE - Feb. 22

10. SURPLUS COMMODITIES. The Agriculture and Forestry Subcommittee on Agricultural Exports ordered reported with amendment S. 752, to amend the Agricultural Trade Development and Assistance Act of 1954 so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from CCC stocks. The "Daily Digest" states that the amendment would require sales to be charged off against the set-aside under the Agricultural Act of 1954. (p. D126.)

11. STATEHOOD. Sen. Neuberger discussed Alaska-Hawaii statehood, stating that "Secretary McKay has dragged his heels on Alaskan statehood, repudiating his onetime su port of such a step," and inserted two Oreg. Legislature resolutions on this subject (p. 1597).

SENATE - Feb. 23

12. PAPERWORK. Both Houses received from the Commission on Organization of the Executive Branch of the Government (Hoover Commission) a report "Paperwork Management, Part I, in the United States Government, pursuant to Public Law 108, 83rd Congress" (H. Doc. 92); and the Commission's task force report on paperwork; to Government Operations Committees (pp. 1614, 1617). This report will not be available from the Legislative Reporting Staff. Pursua t to a special arrangement, each agency of the Department is ordering its own supply of the report directly from the Government Printing Office.

Calendar No. 43

84th Congress, 1st Session | SENATE | Report No. 40

REPEAL OF BUY-BACK PROVISION OF PUBLIC LAW 480

March 2, 1955.—Ordered to be printed

Mr. Eastland, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S. 752]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks, having considered the same, report thereon with a recommendation that it do pass with an amendment.

This bill which would repeal the buy-back provision of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83d Congress, was favorably considered by a subcommittee. The subcommittee's report is attached hereto and fully explains the bill and the amendment.

Report of the Subcommittee on Agricultural Exports of the Committee on Agriculture and Forestry on S. 752

Your Subcommittee on Agricultural Exports, to whom was referred the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks, having considered the same report thereon with the unanimous recommendation that it pass with an amendment.

The report of the Department of Agriculture recommending enactment of this bill as amended by the subcommittee amendment is set out at the end of this report. Representatives of the American Farm Bureau Federation, the National Grange, and the National Cotton Council as well as representatives of the Department of Agriculture testified in support of the bill at the hearings held by your subcommittee, and it has also been endorsed by the American Cotton Shippers Association, the American Cotton Manufacturers Institute, and the National Grain Trade Council. No witnesses testified in opposition to the bill.

This bill would remove the requirement that exporters of privately owned stocks under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.) acquire an equivalent quantity of Commodity Credit

Corporation stocks. At present such acquisition is required by section 102 (a) of that act whenever the Corporation is in a position to supply the commodity.

The necessity of locating and purchasing replacements from stocks owned or under loan to the Corporation (which in the case of cotton, for most qualities, is currently priced above the market) hampers trade by delaying sales, increasing prices, and adding unnecessary administrative detail. Since generally under the price-support program surplus stocks flow to the Corporation, there does not appear to be any advantage to the Government in requiring replacement from Corporation stocks. Rather such requirement may cause the Government additional expense by increasing the Corporation's volume of loans, acquisitions, and sales. For example an exporter of privately owned cotton under Public Law 480 must now replace that cotton with cotton owned or under loan to the Corporation. Under these circumstances it may be expected that the cotton coming out of CCC owned or loan stocks will be replaced by new cotton going under loan so that the net result of the present requirement is the addition of unnecessary redtape. On February 1 the market price for Middling 15/16-inch cotton at Memphis was 34 cents per pound, while the price for CCC-owned cotton was 36.21 cents and CCC-loan cotton of the same quality was somewhere between 34 and 37 cents, depending on the amount the producer gets for his equity. While under the law, CCC could sell its cotton to replace that exported under title I of Public Law 480 at any price it might see fit, it has set such price at the price prescribed by Congress for sales for domestic use in order to encourage use of loan stocks rather than owned stocks and thereby reduce the quantity of loan cotton required to be taken over August 1, 1955. The exporter must take this difference in market price and replacement costs into account in determining the export price of the cotton to be delivered against the sale, and if it results in a higher export price for the cotton, transactions under Public Law 480 will be made that much harder to negotiate.

The amendment recommended by your subcommittee would add at the end of the bill the following new sentence:

"The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

This would require the set-aside under section 101 of the Agricultural Act of 1954 to be reduced by the quantity of private stocks exported under title I of Public Law 480. This is in keeping with the original purposes of the Agricultural Act of 1954, section 103 (a) (2) of which provides for reduction of set-aside through disposition of Commodity Credit Corporation stocks under title I of Public Law 480. While many witnesses who testified at the hearings on the Agricultural Act of 1954 pointed out how useful the set-aside might be to meet emergency needs, the principal purpose of the set-aside was to insulate the existing surplus from the market so as to permit the new price-support program to function properly. Disposition of the set-aside as rapidly as possible by means designed to avoid interference with the price-support program was always intended and provided for by the act. As is pointed out in the report of the Department of Agriculture title I sales constitute the only means of appreciably reducing the quantities of wheat and cotton in the set-aside; and it is therefore desirable that all title I sales, whether from public or private stocks, be applied to such reduction.

The Department's report on the bill is set out below.

James O. Eastland, *Chairman.*
Spessard L. Holland.
W. Kerr Scott.
Milton R. Young.
Andrew F. Schoeppel.

Department of Agriculture,
Washington, D. C., February 17, 1955.

Hon. Allen J. Ellender,
Chairman, Committee on Agriculture and Forestry,
United States Senate.

Dear Senator Ellender: This is in reply to your request of January 27, 1955, for a report on S. 752, a bill to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

Subject to revision in accordance with the recommendation set out below, the Department would favor enactment of S. 752.

Section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 currently provides that the Commodity Credit Corporation shall make available for sale, under the act, surplus agricultural commodities acquired by the Corporation in the administration of its price-support operations, and shall make funds available to finance the sale and exportation of such commodities from its owned stocks, from loan stocks, or, if the Corporation is not in a position to supply the commodity out of its owned stocks, from privately owned stocks. That section also provides that to facilitate the use of private trade channels the Corporation, even though it is in a position to supply the commodity, may finance the sale and exportation of privately owned stocks under arrangements whereby the private exporter acquires the same commodity of comparable value or quantity from CCC stocks.

The bill, S. 752, would amend section 102 (a) to provide that the CCC shall make its stocks of surplus agricultural commodities available for sale under the act and shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the CCC. As amended by S. 752, section 102 (a) would enable United States exporters making sales under the program to ship private stocks without making corresponding purchases from CCC stocks.

The operation of this amendment would affect cotton primarily at this time. Because the world price and the domestic market price of cotton are approximately the same, exporters can sell private stocks for export at competitive prices. Where this price relationship exists, and especially where these two prices approximate the support price as in the case of cotton, the overall advantages, including the net effect in reducing CCC holdings, will be equally as great whether surpluses are financed for export directly from private stocks or taken or replaced from CCC owned or loan stocks. The amendment would be helpful in eliminating the "redtape" involved in the replacement procedure and the operation of the program would be facilitated both from the administrative standpoint and from the standpoint of efficient operation of the program through private trade channels.

It must be noted, however, that title I sales constitute a major means of reducing the commodity set-aside, and are the only means of appreciably reducing the quantities of wheat and cotton in the set-aside. If S. 752 were enacted in its present form, title I sales from private stocks would not result in reduction of the set-aside. It is, therefore, recommended that the bill be amended by adding at the end thereof the following new sentence:

"The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

Enactment of S. 752 would require no additional administrative or program funds.

The Bureau of the Budget advises this Department as follows:

"It is understood that amendment of section 102 (a) of Public Law 480 is necessary to remove from the language of this section an unforeseen impediment to the export of cotton under title I of the act. On this basis, you are advised that there would be no objection to enactment of S. 752 amended as recommended by the Department."

Sincerely yours,

True D. Morse, *Under Secretary.*

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX, of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Agricultural Trade Development and Assistance Act of 1954

* * * * * * *

Sec. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder [at such points in the United States as the President may direct] *to domestic exporters*, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities [from stocks owned by the Corporation or pledged or mortgaged as security for price support loans or from stocks privately owned if the Corporation is not in a position to supply the commodity from its owned stocks: *Provided*, That to facilitate the use of private trade channels the Corporation, even though it is in a position to supply the commodity, may finance the sale and exportation of privately owned stocks if the Corporation's stocks are reduced through arrangements whereby the private exporter acquires the same commodity of comparable value or quantity from the Commodity Credit Corporation], *whether from private stocks or from stocks of the Commodity Credit Corporation.* In supplying *such* commodities to [private] exporters under [such arrangements] *this subsection the* Commodity Credit Corporation shall not be subject to the sales price [restriction] *restrictions* in section 407 of the Agricultural Act of 1949, as amended. *The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks.*

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Calendar No. 43

84TH CONGRESS
1ST SESSION

S. 752

[Report No. 40]

IN THE SENATE OF THE UNITED STATES

JANUARY 26, 1955

Mr. EASTLAND (for himself and Mr. SCHOEPPEL) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

MARCH 2, 1955

Reported by Mr. EASTLAND, with an amendment

[Insert the part printed in italic]

A BILL

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

"SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section,

(1) shall make available for sale hereunder to domestic exporters, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended. *The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897), shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."*

Calendar No. 43

84TH CONGRESS
1ST SESSION

S. 752

[Report No. 40]

A BILL

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

By Mr. EASTLAND and Mr. SCHOEPPEL

JANUARY 26, 1955

Read twice and referred to the Committee on Agriculture and Forestry

MARCH 2, 1955

Reported with an amendment

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued March 7, 1955
For actions of March 3 & 4, 1955
84th-1st, Nos. 39 & 40

CONTENTS

HIGHLIGHTS: House committee reported Hawaii-Alaska statehood bill. Senate passed bill to permit use of private stocks in exports under Public Law 480. Senate committee reported bill to give certain N. Mex. lands national-forest status. House subcommittee voted to report bill on donation of surplus property for education, etc. Received from USDA proposed bills to continue livestock loan program and to dispose of LU lands. Sen. Byrd introduced and discussed measure to provide consolidated appropriation bill. Rep. Abbitt inserted USDA's recommendations for burley tobacco program.

HOUSE - March 3

1. STATEHOOD; PUBLIC LANDS; MINERALS. The Interior and Insular Affairs Committee reported with amendment H. R. 2535, the Hawaii-Alaska statehood bill (H. Rept. 88), and H. R. 100, to permit the mining, development, and utilization of the mineral resources of all public lands withdrawn or reserved for power development (H. Rept. 86)(pp. 1991, 1995-6).

2. WATER UTILIZATION. Received an Ark. Senate memorial urging appropriations for the beginning of construction of certain dams within Arkansas on the Arkansas River (p. 1996).

3. ADJOURNED until Mon., Mar. 7. Majority Leader McCormack announced the following tentative schedule for receiving appropriation bills: Treasury-Post Office in the week of March 14, Second Supplemental on March 18, Labor Department and related agencies in the week of March 21, and Interior Department on March 24. The Majority Leader also announced that the House will recess for Easter from Apr. 4,,to Wed., Apr. 13.(p. 1990).

SENATE - March 4

4. SURPLUS COMMODITIES. Passed as reported S. 752, to eliminate the requirement that privately owned stocks exported under Public Law 480, 83rd Congress, be replaced from CCC stocks. Agreed to the committee amendment which requires the set-aside under Sec. 101 of the Agricultural Act of 1954 to be reduced by the quantity of private stocks exported under title I of Public Law 480. (pp. 2033, 2037-9.)

5. FORESTRY. The Agriculture and Forestry Committee reported without amendment S. 72, providing that certain lands conveyed to the U. S. by N. Mex. situated within the Lincoln National Forest shall be administered as national forest lands (S. Rept. 43)(p. 2004).

6. LIVESTOCK LOANS; LU LANDS. Received from this Department proposed bills to continue the emergency livestock-loan program and to dispose of title III Bankhead-Jones Farm Tenant Act lands; to Agriculture and Forestry Committee (p. 1998).

Received a N. Mex. Legislature memorial favoring adequate sources of farm credit to N. Mex. farmers, particularly those stricken by the drought and other disasters, including extension of the emergency livestock-loan program (p. 2001).

7. LANDS; EDUCATION; RECLAMATION; TREATIES. Received various State legislature memorials, and other petitions, favoring legislation to grant 2 million acres of Federal land in trust to N. Mex. for public school buildings, to authorize the Colo. reclamation project, and to restrict the President's treaty power (pp. 2000-3).

8. WHEAT ALLOTMENTS. Sen. Langer inserted and spoke in support of a N. Dak. Legislature resolution requesting that steps be taken to establish a minimum of 100 acres for each hard spring wheat grower in N. Dak., and other States producing such wheat and "which are now faced with hardship resulting from... unfair discrimination" (p. 2000).

9. SURPLUS PROPERTY; CIVIL DEFENSE. Received from GSA a proposed bill to amend the Federal Property and Administrative Services Act of 1949 so as to authorize the disposal of surplus property for civil defense; to Government Operations Committee (p. 1999).

10. PURCHASING. Received the President's message recommending 2-year extension of the Renegotiation Act of 1951, which provides for the renegotiation of defense contracts (pp. 1997-8).

11. TEXTILES; TARIFFS. Sen. Lehman inserted an Amsterdam, N. Y., Chamber of Commerce petition opposing further cuts in tariffs on carpets and rugs, and expressed concern over the distressed labor conditions in the Amsterdam area (p. 2004).

12. TRADE AGREEMENTS. Sen. Capehart submitted an amendment he intends to propose to H. R. 1, the trade agreements bill (p. 2020).

rural electrification, conservation, and similar programs, he received from William Stern, the former head of the Republican Party in North Dakota.

Senator MAGNUSON has done a magnificent job in connection with Alaska. Sometime ago he was a member of a subcommittee investigating Federal penitentiaries, and was himself in charge of the investigation of penitentiaries in Alaska and Hawaii. That is a subcommittee which never receives any headlines. A Senator who is a member of that subcommittee will sometimes get up at 3 or 4 o'clock in the morning, go to a penitentiary, and learn at first hand what kind of food the prisoners or inmates are receiving. He investigates the living conditions; he determines whether there has been any discrimination among inmates in connection with their civil liberties. He investigates also the conditions of solitary confinement to which inmates may be subjected.

Senator MAGNUSON did excellent work in the investigation of prisons in Alaska, particularly the prison at Anchorage, a wooden building in which the lives of the inmates were endangered during their entire terms of confinement. The structure was a disgrace to the United States. Senator MAGNUSON succeeded in having the present fireproof building erected.

Senator MAGNUSON performed magnificent work in the development of Northwest Airlines, which started at Minneapolis and St. Paul and continued across the Pacific Ocean to Alaska and Hawaii. I was delighted to learn a few days ago, after the President had issued an order practically barring Northwest Airlines from flying to Hawaii, that through the diligent efforts of the distinguished senior Senator from Minnesota [Mr. THYE], who was assisted by the distinguished senior Senator from Washington, the Executive order was revoked. That great airline is now continuing to fly passengers to Alaska and Hawaii.

Senator MAGNUSON, who was a poor boy when he was reared in North Dakota and Minnesota, did every kind of work imaginable on a farm. He shucked corn and bundled wheat. He was an expert operator of a threshing machine. He hauled grain to the elevator. He plowed and harrowed and did every kind of farm work imaginable. Therefore, as a Senator he is intimately acquainted with the problems of farmers, which is perhaps one important reason why he has been so earnestly engaged in trying to solve their problems.

I am delighted that his colleague, the distinguished junior Senator from Washington, has called to our attention the fact that the people of the State of Washington honored Senator MAGNUSON a few days ago by tendering him a dinner commemorating 25 years of distinguished public service. I know that if the people of North Dakota and also, I believe, the people of western Minnesota, had realized that such a dinner was to be given for Senator MAGNUSON, they would have flooded the banquet with telegrams expressing their appreciation for the many things which the senior Senator from Washington has done for the rank and file of the people of those two States.

PROGRAM FOR TUESDAY, MARCH 8

Mr. CLEMENTS. Mr. President, I should like to state the program for next Tuesday, as it is the intention of the acting majority leader to move that the Senate adjourn until that day. On Tuesday, in addition to the call of the Executive Calendar, it is the intention to take up Calendar No. 40, Senate bill 941; Calendar No. 41, Senate bill 942; and Calendar No. 42, Senate bill 1051.

The bills referred to by Mr. CLEMENTS are, respectively, as follows:

S. 941, to amend section 13 of the Federal Farm Loan Act, as amended, to authorize the Federal land banks to purchase certain remaining assets of the Federal Farm Mortgage Corporation;

S. 942, to repeal Public Law 820, 80th Congress (62 Stat. 1098), entitled "An act to provide a revolving fund for the purchase of agricultural commodities and raw materials to be processed in occupied areas and sold; and

S. 1051, to amend section 8a (4) of the Commodity Exchange Act, as amended.

Mr. LANGER. Mr. President, will the Senator yield for a question?

Mr. CLEMENTS. I yield.

Mr. LANGER. May I inquire when House bill 4259, the Revenue Act of 1955, is to be taken up?

Mr. CLEMENTS. I am not in a position at this time to tell the Senator a specific date. However, it is certainly the intention of the acting majority leader to move that bill along as rapidly as possible.

Mr. LANGER. Would the distinguished Senator say that it might be taken up some time next week?

Mr. CLEMENTS. I do not wish to be placed in that position at present, because there are some other measures on the calendar which likewise have certain priority. However, I can assure the Senator that the revenue bill will not be unduly delayed. It is the intention and the hope of the acting majority leader that action can be taken on that measure, which is of such vital importance to so many, at the earliest date consistent with the wishes of those on both sides of the aisle with respect to it, and also another bill on the calendar.

AMENDMENT OF AGRICULTURAL TRADE AND ASSISTANCE ACT OF 1954

The Senate resumed the consideration of the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

Mr. EASTLAND. Mr. President, the unfinished business is S. 752, a bill to repeal the buy-back provision of Public Law 480, which was passed last year. The measure is noncontroversial. It largely affects—in fact, it solely affects—the United States cotton industry.

Under Public Law 480, a cotton shipper, when he sold cotton, was obligated to repurchase from the stocks of the Commodity Credit Corporation the same number of bales of cotton, of the same grade, and of the same staple.

The bill under consideration repeals the buy-back provision for the reason that that provision cannot work in the case of cotton.

The world price of cotton and the American price of cotton are about the same. American cotton shippers have found that when they have to buy back from the stocks of the Commodity Credit Corporation an amount of cotton equal to that which they have sold, frequently the prices of the Commodity Credit Corporation cotton are 2 or 3 cents a pound above the selling price. That prevents the sale of the cotton.

Then, too, it has been found that frequently the stocks of the Commodity Credit Corporation do not contain the same grade and staple of cotton as that which has been exported; therefore, the Commodity Credit Corporation cannot make the sale.

The bill has been endorsed by the Department of Agriculture. Assistant Secretary of Agriculture James A. McConnell testified in favor of it before the Committee on Agriculture and Forestry.

The bill has been endorsed also by the American Farm Bureau Federation, the National Cotton Council, the National Grange, and the Cotton Textile Institute. In fact, all the farm organizations and all other organizations concerned have endorsed the bill.

The subcommittee held extensive hearings, and not a single witness appeared in opposition to the measure. The bill is noncontroversial, and I urge its enactment.

The PRESIDING OFFICER. The amendment will be stated.

The amendment of the Committee on Agriculture and Forestry was, on page 2, line 11, after the word "amended.", to insert:

The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897), shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks.

So as to make the bill read:

Be it enacted, etc., That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

"SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic exporters, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions

in section 407 of the Agricultural Act of 1949, as amended. The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897), shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

Mr. SCHOEPPEL. Mr. President, I ask unanimous consent to have printed in the RECORD, immediately following the passage of S. 752, the report on the bill.

There being no objection, the report (No. 40) was ordered to be printed in the RECORD, as follows:

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks, having considered the same, report thereon with a recommendation that it do pass with an amendment.

This bill which would repeal the buy-back provision of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83d Congress, was favorably considered by a subcommittee. The subcommittee's report is attached hereto and fully explains the bill and the amendment:

"REPORT OF THE SUBCOMMITTEE ON AGRICULTURAL EXPORTS OF THE COMMITTEE ON AGRICULTURE AND FORESTRY ON S. 752

"Your Subcommittee on Agricultural Exports, to whom was referred the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks, having considered the same report thereon with the unanimous recommendation that it pass with an amendment.

"The report of the Department of Agriculture recommending enactment of this bill as amended by the subcommittee amendment is set out at the end of this report. Representatives of the American Farm Bureau Federation, the National Grange, and the National Cotton Council as well as representatives of the Department of Agriculture testified in support of the bill at the hearings held by your subcommittee, and it has also been endorsed by the American Cotton Shippers Association, the American Cotton Manufacturers Institute, and the National Grain Trade Council. No witnesses testified in opposition to the bill.

"This bill would remove the requirement that exporters of privately owned stocks under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.) acquire an equivalent quantity of Commodity Credit Corporation stocks. At present such acquisition is required by section 102 (a) of that act whenever the Corporation is in a position to supply the commodity.

"The necessity of locating and purchasing replacements from stocks owned or under loan to the Corporation (which in the case of cotton, for most qualities, is currently priced above the market) hampers trade by delaying sales, increasing prices, and adding unnecessary administrative detail. Since generally under the price-support program surplus stocks flow to the Corporation, there does not appear to be any advantage to the Government in requiring replacement from Corporation stocks. Rather such requirement may cause the Government additional expense by increasing the Corporation's volume of loans, acquisitions, and sales. For example an exporter of privately owned cotton under Public Law 480 must now replace that cotton with cotton owned or under loan to the Corporation. Under these circumstances it may be expected that the cotton coming out of CCC owned or loan stocks will be replaced by new cotton going under loan so that the net result of the present requirement is the addition of unnecessary redtape. On February 1 the market price for Middling 1$\frac{5}{16}$-inch cotton at Memphis was 34 cents per pound, while the price for CCC-owned cotton was 36.21 cents and CCC-loan cotton of the same quality was somewhere between 34 and 37 cents, depending on the amount the producer gets for his equity. While under the law, CCC could sell its cotton to replace that exported under title I of Public Law 480 at any price it might see fit, it has set such price at the price prescribed by Congress for sales for domestic use in order to encourage use of loan stocks rather than owned stocks and thereby reduce the quantity of loan cotton required to be taken over August 1, 1955. The exporter must take this difference in market price and replacement costs into account in determining the export price of the cotton to be delivered against the sale, and if it results in a higher export price for the cotton, transactions under Public Law 480 will be made that much harder to negotiate.

"The amendment recommended by your subcommittee would add at the end of the bill the following new sentence:

" 'The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks.'

"This would require the set-aside under section 101 of the Agricultural Act of 1954 to be reduced by the quantity of private stocks exported under title I of Public Law 480. This is in keeping with the original purposes of the Agricultural Act of 1954, section 103 (a) (2) of which provides for reduction of set-aside through disposition of Commodity Credit Corporation stocks under title I of Public Law 480. While many witnesses who testified at the hearings on the Agricultural Act of 1954 pointed out how useful the set-aside might be to meet emergency needs, the principal purpose of the set-aside was to insulate the existing surplus from the market so as to permit the new price-support program to function properly. Disposition of the set-aside as rapidly as possible by means designed to avoid interference with the price-support program was always intended and provided for by the act. As is pointed out in the report of the Department of Agriculture title I sales constitute the only means of appreciably reducing the quantities of wheat and cotton in the set-aside; and it is therefore desirable that all title I sales, whether from public or private stocks, be applied to such reduction.

"The Department's report on the bill is set out below.

"JAMES O. EASTLAND, *Chairman*.
"SPESSARD L. HOLLAND.
"W. KERR SCOTT.
"MILTON R. YOUNG.
"ANDREW F. SCHOEPPEL.

"DEPARTMENT OF AGRICULTURE,
"*Washington, D. C., February 17, 1955.*

"Hon. ALLEN J. ELLENDER,
"*Chairman, Committee on Agriculture and Forestry, United States Senate.*

"DEAR SENATOR ELLENDER: This is in reply to your request of January 27, 1955, for a report on S. 752, a bill to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

"Subject to revision in accordance with the recommendation set out below, the Department would favor enactment of S. 752.

"Section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 currently provides that the Commodity Credit Corporation shall make available for sale, under the act, surplus agricultural commodities acquired by the Corporation in the administration of its price-support operations, and shall make funds available to finance the sale and exportation of such commodities from its owned stocks, from loan stocks, or, if the Corporation is not in a position to supply the commodity out of its owned stocks, from privately owned stocks. That section also provides that to facilitate the use of private trade channels the Corporation, even though it is in a position to supply the commodity, may finance the sale and exportation of privately owned stocks under arrangements whereby the private exporter acquires the same commodity of comparable value or quantity from CCC stocks.

"The bill, S. 752, would amend section 102 (a) to provide that the CCC shall make its stocks of surplus agricultural commodities available for sale under the act and shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the CCC. As amended by S. 752, section 102 (a) would enable United States exporters making sales under the program to ship private stocks without making corresponding purchases from CCC stocks.

"The operation of this amendment would affect cotton primarily at this time. Because the world price and the domestic market price of cotton are approximately the same, exporters can sell private stocks for export at competitive prices. Where this price relationship exists, and especially where these two prices approximate the support price as in the case of cotton, the overall advantages, including the net effect in reducing CCC holdings, will be equally as great whether surpluses are financed for export directly from private stocks or taken or replaced from CCC owned or loan stocks. The amendment would be helpful in eliminating the redtape involved in the replacement procedure and the operation of the program would be facilitated both from the administrative standpoint and from the standpoint of efficient operation of the program through private trade channels.

"It must be noted, however, that title I sales constitute a major means of reducing the commodity set-aside, and are the only means of appreciably reducing the quantities of wheat and cotton in the set-aside. If S. 752 were enacted in its present form, title I sales from private stocks would not result in reduction of the set-aside. It is, therefore, recommended that the bill be amended by adding at the end thereof the following new sentence:

" 'The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks.'

"Enactment of S. 752 would require no additional administrative or program funds.

"The Bureau of the Budget advises this Department as follows:

" 'It is understood that amendment of section 102 (a) of Public Law 480 is necessary to remove from the language of this section an unforeseen impediment to the export of cotton under title I of the act. On this basis, you are advised that there would be no objection to enactment of S. 752 amended as recommended by the Department.'

"Sincerely yours,

"TRUE D. MORSE,
"*Under Secretary.*"

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX, of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

"AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

* * * * *

"SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder [at such points in the United States as the President may direct] *to domestic exporters*, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities [from stocks owned by the Corporation or pledged or mortgaged as security for price support loans or from stocks privately owned if the Corporation is not in a position to supply the commodity from its owned stocks: *Provided*, That to facilitate the use of private trade channels the Corporation, even though it is in a position to supply the commodity, may finance the sale and exportation of privately owned stocks if the Corporation's stocks are reduced through arrangements whereby the private exporter acquires the same commodity of comparable value or quantity from the Commodity Credit Corporation], *whether from private stocks or from stocks of the Commodity Credit Corporation*. In supplying *such* commodities to [private] exporters under [such arrangements] *this subsection the* Commodity Credit Corporation shall not be subject to the sales price [restriction] *restrictions* in section 407 of the Agricultural Act of 1949, as amended. *The commodity set-aside established for any commodiy under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks.*"

NOTICE OF AVAILABILITY OF HEARINGS ON HOUSE BILL 4259

Mr. KNOWLAND. Mr. President, I understand the acting majority leader is about to move that the Senate adjourn until Tuesday next. Before that is done, I should like to call to the attention of Members of the Senate the fact that the hearings before the Senate Committee on Finance on House bill 4259, to provide a 1-year extension of the existing corporate normal tax and of certain existing excise-tax rates, and to provide a $20 credit against the individual income tax for each personal exemption, have been printed and are now available to all Senators. I have requested that the secretary for the minority make available to each Member on this side of the aisle a copy of the hearings. I hope that majority Members on the other side of the aisle will also have the hearings made available to them and that each will receive a copy, in order that the hearings may be studied over the weekend. Sometimes a point is raised that there has not been a sufficient time to read the hearings. The hearings are now available, and I hope that fact will expedite consideration of the tax bill next week.

ADJOURNMENT TO TUESDAY

Mr. EASTLAND. Mr. President, I move that the Senate adjourn until 12 o'clock noon on Tuesday next.

The motion was agreed to; and (at 2 o'clock and 1 minute p. m.) the Senate adjourned until Tuesday, March 8, 1955, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 4, 1955:

UNITED NATIONS

William A. Kimbel, of South Carolina, to be the representative of the United States of America to the 10th session of the Economic Commission for Europe of the Economic and Social Council of the United Nations.

Kingsley Davis, of New York, to be the representative of the United States of America on the Population Commission of the Economic and Social Council of the United Nations for a term of 3 years expiring December 31, 1957.

FEDERAL MARITIME BOARD

Clarence G. Morse, of California, to be a member of the Federal Maritime Board for the remainder of the term expiring June 30, 1956, vice Louis S. Rothschild.

SUBVERSIVE ACTIVITIES CONTROL BOARD

John Stephens Wood, of Georgia, to be a member of the Subversive Activities Control Board for the term of 3 years expiring March 4, 1958, vice Watson B. Miller, term expired.

UNITED STATES CIRCUIT JUDGE

Warren L. Jones, of Florida, to be United States circuit judge, fifth circuit, vice Louie W. Strum, deceased.

84TH CONGRESS
1ST SESSION

S. 752

IN THE HOUSE OF REPRESENTATIVES

MARCH 7, 1955
Referred to the Committee on Agriculture

AN ACT

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

"SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section,

(1) shall make available for sale hereunder to domestic exporters, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended. The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897), shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

Passed the Senate March 4, 1955.

Attest: FELTON M. JOHNSTON,

Secretary.

84TH CONGRESS
1ST SESSION

S. 752

AN ACT

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

MARCH 7, 1955

Referred to the Committee on Agriculture

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued March 25, 1955
For actions of March 24, 1955
84th-1st, No. 53

CONTENTS

HIGHLIGHTS: See last page of Digest.

HOUSE

1. APPROPRIATIONS. Passed with amendment H. R. 5085, the Department of the Interior and Related Agencies Appropriation Bill for 1956 (pp. 3098-3114). Rejected an amendment by Rep. Gavin to add $400,000 to the funds for State and private forestry cooperation (pp. 3112-4). For provisions of this bill as reported see Digest 50.

   Rep. Rayburn questioned whether the placement of the Forest Service appropriation in this bill "is an entering wedge to transfer the Forest Service from Agriculture to Interior," and stated that he is opposed to such a transfer. Several Members discussed the pros and cons of the placement of this appropriation in the Interior bill. (pp. 3099-3100, 3107-8, 3112-4). Several Members commended items for FS, watershed protection and research, salt-water research, soil and moisture program of the Bureau of Land Management, and study of blackbird control (pp. 3101-3, 3109-12).

   The Appropriations Committee was authorized to have until midnight Sat., Mar. 26, to report the Independent Offices Appropriation Bill for 1956 (p. 3096).

2. AGRICULTURAL APPROPRIATION BILL, 1956. The Appropriations Committee was authorized to have until midnight today, Mar. 25, to report this bill, and Majority Leader McCormack announced this bill is to be debated on Mon. (pp. 3096, 3139).

3. TOBACCO. Passed as reported H. R. 4951, to redetermine the national marketing quota for burley tobacco for the 1955-6 marketing year. The bill as passed includes provisions of three other bills: H. R. 4756, relating to history credit for excess acreage; H. R. 4757, relating to the filing of false reports; and H. R. 4989, increasing the marketing penalty. (pp. 3130-8.)

Rejected, 30-54, an amendment submitted by Rep. Burnside to increase the exemption from acreage reduction from five-tenths of an acre to seven-tenths of an acre (pp. 3135-7).

Rejected, 44-71, an amendment submitted by Rep. Bass to increase the exemption from acreage reduction from five-tenths of an acre to six-tenths of an acre (pp. 3137-8).

Rejected a motion offered by Rep. Kilburn to recommit the bill (p. 3138).

4. SURPLUS COMMODITIES. The Agriculture Committee ordered reported S. 752, to amend the Agricultural Trade Development and Assistance Act (Public Law 480, 83rd Cong.), so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from CCC stocks (p. D246).

5. FARM LOANS. The Committee on Veterans' Affairs reported without amendment H. R. 5106, to amend the Servicemen's Readjustment Act of 1944, so as to authorize loans for farm housing to be guaranteed or insured under the same terms and conditions as apply to residential housing (H. Rept. 299) (p. 3148).

6. DAIRY PRODUCTS. Rep. Laird commended the U. S. cheese industry for their positive program of promoting the sale and consumption of American cheese and urged the passage of H. R. 252, a bill to provide standards governing imported food products (p. 3097).

7. ORGANIZATION. Rep. Patman criticized the Hoover Commission, stated "we should not permit it to be extended," and inserted correspondence he had with Herbert Hoover concerning the functions of the Commission (pp. 3140-2).

8. TARIFFS. Rep. Lankford expressed concern over proposed increased duties on Swiss watches and stated that the reason for his concern is "the fact the Swiss are the largest purchasers of high-grade Maryland export tobacco" (pp. 3142-5).

9. BANKING AND CURRENCY. Received a report on the audit of Export-Import Bank for the fiscal year 1954 (H. Doc. 116); to Government Operations Committee (p. 3148).

10. ADJOURNED until Mon., Mar. 28 (p. 3139). Legislative program for next week as announced by Majority Leader McCormack: Mon., the Agricultural Appropriation Bill for 1956, to be followed by bill to increase penalties under the Sherman Antitrust Act (which may be carried over until Tues.); Wed., the Independent Offices Appropriation Bill for 1956; Thurs. and Fri., undetermined; and "if a rule is reported and other conditions permit, the postal pay raise bill will be brought up during the week" (p. 3139).

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued March 30, 1955
For actions of March 29, 1955
84th-1st, No. 56

CONTENTS

HIGHLIGHTS: House passed bills to: Include onions under CEA; protect fungible goods purchasers from CCC claims. House committee reported bill to permit use of private stocks in exports under Public Law 480. Senate committee ordered reported Colo. reclamation project bill.

HOUSE

1. SURPLUS COMMODITIES. The Agriculture Committee reported without amendment S. 752, to amend the Agricultural Trade Development and Assistance Act (Public Law 480, 83rd Cong.), so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from CCC stocks (H. Rept. 309) (p. 3335).

2. COMMODITY EXCHANGE; CCC CLAIMS. Passed without amendment H. R. 122, to include onions within the provisions of the Commodity Exchange Act (pp. 3307-8); and H. R. 1831, to amend the CCC Charter Act in order to protect innocent purchasers of fungible goods converted by warehousemen from CCC claims (pp. 3307, 3310-1).

Rep. O'Hara, Ill., inserted a Chicago Potato Jobbers Association letter favoring a study "into the general question of a futures market in perishables with the thought of the possible enactment of further legislation covering the subject" (p. 3308).

3. APPROPRIATIONS. The "Daily Digest" states that the Rules Committee "refused to grant a rule waiving points of order against H. R. 5240, the independent offices appropriation bill for 1956" (p. D263).

4. LOYALTY DAY. Passed without amendment H. J. Res. 184, to designate the 1st day of May 1955 as Loyalty Day (p. 3307).

5. FEES AND CHARGES. Received an American Bar Association resolution "urging the repeal of title V, entitled 'Fees and Charges' of the Independent Offices Appropriation Act" (p. 3336).

6. TREATIES. Received a Knights of Columbus (Long Island, N. Y.) petition expressing support of the Bricker amendment to limit the President's treatymaking powers (p. 3336).

7. MONOPOLIES. Passed without amendment H. R. 3659, to increase the maximum fine which may be imposed upon conviction for each count of an indictment in a criminal suit for violation of the Sherman Antitrust Act from $5,000 to $50,000 (pp. 3320-30), after rejecting amendments by Rep. Patman to increase further the maximum fine in the case of violations by corporations (pp. 3327-9).

8. WATER RESOURCES. The Interior and Insular Affairs Committee ordered reported with amendment H. R. 3990, to authorize the Interior Department to investigate water resources projects in Alaska (p. D262).

9. RUBBER. Rep. Philbin claimed that the Rubber Producing Facilities Disposal Commission violated Public Law 205, 83rd Cong., when it accepted a lump-sum proposal from one company for certain facilities instead of a proposal enumerating the amount proposed to be paid for each facility to be purchased (pp. 3330-1).

10. RECESS. Agreed to H. Con. Res. 103, providing that when the two Houses adjourn on Monday, Apr. 4, they stand adjourned until Wed., Apr. 13 (p. 3334).

SENATE

11. RECLAMATION. The Interior and Insular Affairs Committee ordered reported with amendments S. 500, to authorize the Colo. River reclamation project (p. D260).

ITEMS IN APPENDIX

12. PRICE SUPPORTS; FAMILY-SIZE FARMS. Rep. Burdick inserted his letter explaining why he supported "full parity and the family-type farmer" (pp. A2218-9).

13. TRADE AGREEMENTS; TARIFFS. Rep. Lane inserted Prof. Seymour E. Harris' (Harvard Univ.) letter suggesting safeguards to H. R. 1 (the trade agreements bill) which would protect industries which experience much unemployment against tariff reductions (p. A2223).

14. ECONOMIC REPORT. Rep. Klein inserted Geo. Meany's, pres., AFL, statement discussing and criticizing the President's economic report and stating that "timidity rather than bold leadership is the outstanding characteristic of the report" (pp. A2199-201).

15. EXPORT-IMPORT BANK. Rep. Multer inserted a Nat'l Foreign Council Trade letter criticizing certain statements made by the Hoover Commission in their report on lending agencies and requesting "that appropriate steps be taken to correct the erroneous impression conveyed by this report . . ." (pp. A2208-9).

16. TEXTILES; IMPORTS. Rep. Lane inserted a Textile Workers Union of America statement discussing problems confronting the textile industry due to loss of export markets and displacement by imports (pp. A2209-10).

84TH CONGRESS 1st Session } HOUSE OF REPRESENTATIVES { REPORT No. 309

REPEAL OF BUY-BACK PROVISION OF PUBLIC LAW 480

MARCH 29, 1955.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany S. 752]

The Committee on Agriculture, to whom was referred the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

The purpose of this bill is to remove from the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.) the restrictions on disposal of surplus commodities known as the buy-back provision. The effect of this provision is to require that if a private trader sells under the authority of Public Law 480 commodities that the Commodity Credit Corporation is in a position to supply, the trader may do so only if he purchases from Commodity Credit Corporation stocks a quantity of the commodity of comparable value.

There was a substantial difference of opinion as to the necessity and value of this requirement at the time the law was enacted and it is now apparently the position of all interested parties that the provision is not only unnecessary but is actually a deterrent to achieving the fullest possible benefit from the act.

The bill will have the effect of relieving private exporters of the present requirement that they purchase commodities from Commodity Credit Corporation stocks as replacements for commodities exported from private stocks. This will apply not only to sales hereafter made but to sales which have previously been made, if replacements have not been purchased prior to the enactment of the bill.

The committee believes that this provision has been a substantial roadblock to achieving the maximum possible trade under the provisions of the act and hopes that with this impediment removed, sales under the authority of Public Law 480 during the current fiscal year may exceed the $453 million presently programed.

At the hearing on the bill, the Department of Agriculture, the National Cotton Council, and the major farm organizations appeared in favor of the bill. There were no witnesses opposed to the measure and the committee knows of no opposition to it.

DEPARTMENT REPORT

The hearing was held on S. 752 and a similar House bill, H. R. 3231. In further explanation of the bill there are attached herewith the report of the Senate subcommittee on S. 752 and the report of the Acting Secretary of Agriculture on H. R. 3231.

Report of the Subcommittee on Agricultural Exports of the Committee on Agriculture and Forestry on S. 752

Your Subcommittee on Agricultural Exports, to whom was referred the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks, having considered the same report thereon with the unanimous recommendation that it pass with an amendment.

The report of the Department of Agriculture recommending enactment of this bill as amended by the subcommittee amendment is set out at the end of this report. Representatives of the American Farm Bureau Federation, the National Grange, and the National Cotton Council as well as representatives of the Department of Agriculture testified in support of the bill at the hearings held by your subcommittee, and it has also been endorsed by the American Cotton Shippers Association, the American Cotton Manufacturers Institute, and the National Grain Trade Council. No witnesses testified in opposition to the bill.

This bill would remove the requirement that exporters of privately owned stocks under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.) acquire an equivalent quantity of Commodity Credit Corporation stocks. At present such acquisition is required by section 102 (a) of that act whenever the Corporation is in a position to supply the commodity.

The necessity of locating and purchasing replacements from stocks owned or under loan to the Corporation (which in the case of cotton, for most qualities, is currently priced above the market) hampers trade by delaying sales, increasing prices, and adding unnecessary administrative detail. Since generally under the price-support program surplus stocks flow to the Corporation, there does not appear to be any advantage to the Government in requiring replacement from Corporation stocks. Rather such requirement may cause the Government additional expense by increasing the Corporation's volume of loans, acquisitions, and sales. For example an exporter of privately owned cotton under Public Law 480 must now replace that cotton which cotton owned or under loan to the Corporation. Under these circumstances it may be expected that the cotton coming out of CCC owned or loan stocks will be replaced by new cotton going under loan so that the net result of the present requirement is the addition of unnecessary redtape. On February 1 the market price for Middling 15/16-inch cotton at Memphis was 34 cents per pound, while the price for CCC-owned cotton was 36.21 cents and CCC-loan cotton of the same quality was somewhere between 34 and 37 cents, depending on the amount the producer gets for his equity. While under the law, CCC could sell its cotton to replace that exported under title I of Public Law 480 at any price it might see fit, it has set such price at the price prescribed by Congress for sales for domestic use in order to encourage use of loan stocks rather than owned stocks and thereby reduce the quantity of loan cotton required to be taken over August 1, 1955. The exporter must take this difference in market price and replacement costs into account in determining the export

price of the cotton to be delivered against the sale, and if it results in a higher export price for the cotton, transactions under Public Law 480 will be made that much harder to negotiate.

The amendment recommended by your subcommittee would add at the end of the bill the following new sentence:

"The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

This would require the set-aside under section 101 of the Agricultural Act of 1954 to be reduced by the quantity of private stocks exported under title I of Public Law 480. This is in keeping with the original purposes of the Agricultural Act of 1954, section 103 (a) (2) of which provides for reduction of set-aside through disposition of Commodity Credit Corporation stocks under title I of Public Law 480. While many witnesses who testified at the hearings on the Agricultural Act of 1954 pointed out how useful the set-aside might be to meet emergency needs, the principal purpose of the set-aside was to insulate the existing surplus from the market so as to permit the new price-support program to function properly. Disposition of the set-aside as rapidly as possible by means designed to avoid interference with the price-support program was always intended and provided for by the act. As is pointed out in the report of the Department of Agriculture title I sales constitute the only means of appreciably reducing the quantities of wheat and cotton in the set-aside; and it is therefore desirable that all title I sales, whether from public or private stocks, be applied to such reduction.

The Department's report on the bill is set out below.

James O. Eastland, *Chairman.*
Spessard L. Holland.
W. Kerr Scott.
Milton R. Young.
Andrew F. Schoeppel.

Department of Agriculture,
Washington 25, D. C., March 24, 1955.

Hon. Harold D. Cooley,
Chairman, Committee on Agriculture,
House of Representatives.

Dear Congressman Cooley: This is in reply to your request of March 18, 1955, for a report on H. R. 3231, a bill to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

The Department would favor enactment of H. R. 3231, subject to revision in accordance with the recommendation set out below.

Section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 currently provides that the Commodity Credit Corporation shall make available for sale, under the act, surplus agricultural commodities acquired by the Corporation in the administration of its price-support operations, and shall make funds available to finance the sale and exportation of such commodities from its owned stocks, from loan stocks, or, if the Corporation is not in a position to supply the commodity out of its owned stocks, from privately owned stocks. That section also provides that to facilitate the use of private trade channels the Corporation, even though it is in a position to supply the commodity, may finance the sale and exportation of privately owned stocks under arrangements whereby the private exporter acquires the same commodity of comparable value or quantity from CCC stocks.

The bill, H. R. 3231, would amend section 102 (a) to provide that the CCC shall make its stocks of surplus agricultural commodities available for sale under the act and shall make funds available to finance the sale and exportation of surplus agricultural commodities, *whether from private stocks or from stocks of the CCC.* As amended by H. R. 3231, section 102 (a) would enable United States exporters making sales under the program to ship private stocks without making corresponding purchases from CCC stocks.

The operation of this amendment would affect cotton primarily at this time. Because the world price and the domestic market price of cotton are approximately the same, exporters can sell private stocks for export at competitive prices. Where this price relationship exists, and especially where these two prices approximate the support price as in the case of cotton, the overall advan-

tages, including the net effect in reducing CCC holdings, will be equally as great whether surpluses are financed for export directly from private stocks or taken or replaced from CCC-owned or loan stocks. The amendment would be helpful in eliminating the redtape involved in the replacement procedure and the operation of the program would be facilitated both from the administrative standpoint and from the standpoint of efficient operation of the program through private trade channels.

It must be noted, however, that title I sales constitute a major means of reducing the commodity setaside, and are the only means of appreciably reducing the quantities of wheat and cotton in the setaside. If H. R. 3231 were enacted in its present form, title I sales from private stocks would not result in reduction of the setaside. It is, therefore, recommended that the bill be amended by adding at the end thereof the following new sentence:

"The commodity setaside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

Enactment of H. R. 3231 would require no additional administrative or program funds.

In connection with S. 752, an identical bill, the Bureau of the Budget has advised this Department as follows:

"It is understood that amendment of section 102 (a) of Public Law 480 is necessary to remove from the language of this section an unforeseen impediment to the export of cotton under title I of the act. On this basis, you are advised that there would be no objection to enactment of S. 752 amended as recommended by the Department.

Sincerely yours,

True D. Morse, *Acting Secretary.*

CHANGES IN EXISTING LAW

In compliance with clause 3 rule XIII of the House of Representatives, changes in existing law made by the bill are as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is in italics; existing law in which no change is proposed is shown in roman):

Agricultural Trade Development and Assistance Act of 1954

* * * * * * *

Sec. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder [at such points in the United States as the President may direct] *to domestic exporters*, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities [from stocks owned by the Corporation or pledged or mortgaged as security for price support loans or from stocks privately owned if the Corporation is not in a position to supply the commodity from its owned stocks: *Provided*, That to facilitate the use of private trade channels the Corporation, even though it is in a position to supply the commodity, may finance the sale and exportation of privately owned stocks if the Corporation's stocks are reduced through arrangements whereby the private exporter acquires the same commodity of comparable value or quantity from the Commodity Credit Corporation], *whether from private stocks or from stocks of the Commodity Credit Corporation.* In supplying *such* commodities to [private] exporters under [such arrangements] *this subsection the* Commodity Credit Corporation shall not be subject to the sales price [restriction] *restrictions* in section 407 of the Agricultural Act of 1949, as amended. *The commodity setaside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks.*

○

Union Calendar No. 78

84TH CONGRESS
1ST SESSION

S. 752

[Report No. 309]

IN THE HOUSE OF REPRESENTATIVES

MARCH 7, 1955

Referred to the Committee on Agriculture

MARCH 29, 1955

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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AN ACT

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

"SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic

exporters, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended. The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897), shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

Passed the Senate March 4, 1955.

Attest: FELTON M. JOHNSTON,

Secretary.

Union Calendar No. 78

84TH CONGRESS
1ST SESSION

S. 752

[Report No. 309]

AN ACT

To amend section 102 (a) of the Aricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

MARCH 7, 1955

Referred to the Committee on Agriculture

MARCH 29, 1955

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

S 752

AN ACT

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued April 19, 1955
For actions of April 18, 1955
84th-1st, No. 63

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HIGHLIGHTS; House passed bills to: repeal requirement that private stocks be replaced by CCC stocks under Public Law 480; protect national forests from mining claims for sand, etc.; modify VA farm housing law. House sent 2nd supplemental appropriation bill to conference. Senate debated Colorado reclamation project. Sen. Wiley urged increased milk consumption by Armed Forces. (Continued at end of Digest)

HOUSE

1. SURPLUS COMMODITIES. Passed without amendment S. 752, to amend the Agricultural Trade Development and Assistance Act of 1954 so as to eliminate the requirement that private stocks exported thereunder be replaced from CCC stocks (p. 3881). This bill will now be sent to the President.

   Rep. Hill inserted and commended a report by this Department, "USDA Surplus Food Distribution Continues to Increase" (pp. 3886-8).

2. FARM-HOUSING LOANS. Passed without amendment H. R. 5106, to amend the Servicemen's Readjustment Act of 1944 so as to authorize loans for farm housing to be guaranteed or insured under the same terms and conditions as apply to residential housing (p. 3880).

3. FORESTRY. Passed as reported H. R. 230, to protect the national forests from certain mining claims relating to sand, common stone, gravel, common pumice and pumicite, and cinders (p. 3880).

4. SECOND SUPPLEMENTAL APPROPRIATION BILL, 1955. Reps. Cannon, Rooney, Preston, Taber, and Clevenger were appointed House conferees on this bill, H. R. 2903 (p. 3876). Senate conferees have been appointed.

5. MONOPOLIES. The Judiciary Committee reported without amendment H. R. 4954, to amend the Clayton Act by granting a right of action to the U. S. to recover damages under the antitrust laws and establishing a uniform statute of limitations (p. 3893)(H. Rept. 422).

6. SURPLUS PROPERTY. Both Houses received the Hoover Commission report on surplus property (H. Doc. 141); to Government Operations Committees (pp. 3893, 3815). This report will not be available from the Legislative Reporting Staff except for an emergency need. Pursuant to a special arrangement, each agency of the Department is ordering its own supply of the report directly from GPO.

7. SUGAR. Rep. Gubser urged increased domestic sugar quotas in connection with legislation to amend and extend the Sugar Act (p. 3892).

8. ELECTRIFICATION. Rep. Abernethy commended a plan "under which the need of the TVA for power facilities in its area could be met by the issuance of bonds to be paid off through receipts from the sale of power" (p. 3876).

9. FOREIGN AID. Reps. Gross and Gavin criticized the foreign-aid program (pp. 3876-7).

10. PAY RAISE. Rep. Pelly said pay raises for classified employees should not depend upon action taken regarding postal employees (pp. 3876-7).

SENATE

11. RECLAMATION. Began debate on S. 500, to authorize the Colorado River reclamation project, agreed to committee amendments en bloc, and agreed by unanimous consent that Senators Kuchel or Neuberger may offer amendments thereto at any time prior to final passage of the bill (pp. 3835-3861, 3866-73).

During debate on the bill Sen. Douglas claimed that increasing the amount of fertile land under cultivation would conflict with reduction in wheat acreage production and that "this project is primarily--insofar as its agricultural phases are concerned--for the purpose of providing feed for livestock" (pp. 3869-70).

12. DAIRY PRODUCTS. Sen. Wiley inserted his statement urging the installation of automatic milk vending machines at all U. S. Armed Forces installations, and als a Department of Defense letter on this subject (p. 3828).

13. LOYALTY DAY. The Judiciary Committee ordered favorably reported S. J. Res. 58, to designate the first day of May 1955 as Loyalty Day (p. D296).

14. PATENTS. The Judiciary Committee reported an original resolution, S. Res. 92, (without written report) to provide that this committee conduct a full and complete examination and review of the administration of the Patent Office and the statutes relating to patents, trademarks, and copyrights (p. 3823).

15. PERSONNEL. Received from the Civil Service Commission a proposed bill to provide leave of absence for officers and employees stationed outside the U. S. for use in the U. S., its Territories or possessions; to Post Office and Civil Service Committee (p. 3816).

16. WHEAT; PROPERTY; TAXATION; CONSERVATION. Received petitions, etc., favoring storage of CCC surplus wheat in Calif.; payments to local governments in lieu of taxes on Federally-owned lands; and continued surveys and planning of Kansas construction projects for the conservation of soil and water (pp. 3817-8

17. SUGAR. Sen. Thye inserted a Kennedy, Minn., Chamber of Commerce resolution urging increased domestic sugar quotas; and Sen. Humphrey inserted Governor Freeman's (Minn.) letters to him and the President urging extension of the

AMENDING THE ACT ESTABLISHING A COMMISSION OF FINE ARTS

The Clerk called the bill (H. R. 4534) to amend the act establishing a Commission of Fine Arts.

Mr. BYRNES of Wisconsin. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice. There is no department report on this bill and the report of the committee does not conform to the Ramseyer rule.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

REPEAL OF BUY-BACK PROVISION OF PUBLIC LAW 480

The Clerk called the bill (S. 752) to amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

"SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic exporters, surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended. The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897), shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

BUREAU OF PRISONS EMPLOYEES

The Clerk called the bill (H. R. 3092) to confer jurisdiction upon the United States Court of Claims with respect to claims against the United States of certain employees of the Bureau of Prisons, Department of Justice.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. BYRNES of Wisconsin. Mr. Speaker, I object.

BOARD OF COUNTY COMMISSIONERS OF SEDGWICK COUNTY, KANS.

The Clerk called the bill (H. R. 1835) to provide for the discharge of tax liens on certain real property deeded to the United States of America subject to unpaid taxes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That, notwithstanding any law, prior determination, statute of limitations, or prior acceptance of judgment of partial allowance, the United States of America hereby accepts as a binding obligation and agrees to pay to the treasurer of Sedgwick County, Kans., from such funds as shall hereafter be appropriated for that purpose, the sum of $259,925.09 as the unpaid balance of the base taxes assessed and levied for the tax years 1944, 1945, 1946, and 1947, against three tracts of land in sections 11 and 14, of township 28 south, range 1 east of the sixth principal meridian in Sedgwick County, Kans., constituting the aircraft factory and grounds owned of record in such years by the Reconstruction Finance Corporation and leased to the Boeing Airplane Co. and deeded on or about February 25, 1948, by the Reconstruction Finance Corporation to the United States, subject to unpaid taxes for the years 1944, 1945, 1946, and 1947.

Payment of said sum shall be contingent upon and subsequent to the enactment by the Legislature of the State of Kansas of a law authorizing and directing the treasurer of Sedgwick County, Kans., to accept said amount as full payment of the unpaid balance of the base tax assessed and levied for the years aforesaid and as a release and forgiveness of all interest, penalties, liens, and charges on or in connection with said taxes.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill for the relief of the Board of Commissioners of Sedgwick County, Kans."

A motion to reconsider was laid on the table.

MILITARY DEPARTMENT OF THE STATE OF FLORIDA

The Clerk called the bill (H. R. 2194) for the relief of the Military Department of the State of Florida.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Military Department of the State of Florida is hereby held free from all claims of any nature for damage to, or monetary liability for, certain properties under license to the State of Florida from the Department of the Army, United States engineers, through its district engineer office in Jacksonville, Fla.; said property at one time being used by the State of Florida to house equipment issued to Battery A, 712th AAA Gun Battalion, Key West, Fla., and consisting of two and fifty-nine one-hundredths acres of land and certain improvements thereon.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING SECTION 5 OF THE FLOOD CONTROL ACT OF AUGUST 18, 1941, AS AMENDED, PERTAINING TO EMERGECY FLOOD-CONTROL WORK

The Clerk called the bill (H. R. 3878) to amend section 5 of the Flood Control Act of August 18, 1941, as amended, pertaining to emergency flood control work.

Mr. CUNNINGHAM. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

AMENDING SECTION 2 OF THE ACT OF MARCH 2, 1945, PERTAINING TO THE COLUMBIA RIVER AT BONNEVILLE, OREG.

The Clerk called the bill (H. R. 3879) to amend section 2 of the act of March 2, 1945, pertaining to the Columbia River at Bonneville, Oreg.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object, I wonder if there is some Member present familiar with this particular item who could answer questions? If not, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

EXTENDING TITLE II, FIRST WAR POWERS ACT, 1941

The Clerk called the bill (H. R. 4052) to amend the act of January 12, 1951, as amended, to continue in effect the provisions of title II of the First War Powers Act, 1941.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. PATMAN. Mr. Speaker, reserving the right to object, I would like to ask someone familiar with this bill a question. Has not the Comptroller General always opposed the continuance of this power in the past?

Mr. CELLER. As I understand it, that is not the case. These emergency powers were reactivated during the Korean emergency and have been reactivated yearly ever since that time.

Mr. PATMAN. It is really providing for renegotiation of contracts, although it does not state that it is. It is really to renegotiate contracts?

Mr. CELLER. For clarification, I might read just briefly from the report:

> Under the act, executive departments and agencies are empowered to amend or modify Government contracts without additional consideration, where, for example——

Mr. PATMAN. Without additional consideration.

Mr. CELLER. Well, for the reasons which will be stated—

> for example, an actual or threatened loss on a defense contract will impair the productive capacity of a contractor whose continued existence is needed for the national defense.

Mr. PATMAN. Well, does not the gentleman construe that language to mean a renegotiation of existing contracts to the extent it could cost the Government more?

Mr. CELLER. That may be, but the departments involved would have to justify their actions.

Mr. PATMAN. How much could it go to? Could it go to $1 million, $10 million, or $100 million?

Mr. CELLER. There is no limitation. You must remember this, that under the act these powers can cease by concurrent resolution of both Houses or by Executive order issued by the President. In emergencies we have always granted these powers. Are we not in an emergency, considering the state of the world today, especially in the Far East? We have always extended these powers from year to year, and there is real urgency for the extension now.

Mr. PATMAN. Obviously it is a renegotiation of contracts, and since it is likely to involve a large amount and certainly over $1 million, it occurs to me that it would come within the unwritten rule that bills like this one should not be on this calendar; that a special rule for its consideration from the Rules Committee should be sought.

Mr. CELLER. Of course, I differ with the gentleman on that. This bill itself provides for no specific appropriation whatsoever.

Mr. PATMAN. I know it does not, but it provides for a change in existing contracts. Where there is a threatened loss of any kind, they can change it and give the contractor more money. They can make lots of changes. They can renegotiate it. They can exempt the requirement of a performance bond. They can relieve the contractor of the performance bond although he has given one in the contract. They can say under this act here that "We will not require it in the future, and we will also exempt you from liquidated damages" that the statute says shall be paid and the contract says shall be paid. If we pass this bill, we are giving them the power to exempt them from liquidated damages on performance bonds, contracts, or anything else.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I hope my friend will not object. This is emergency legislation. And, of course, everybody recognizes that an emergency exists at the present time. The very fact that the present administration asks for this extension, despite statements to the contrary that no emergency exists, is confirmation of the fact that a grave emergency not only confronts our country but the world, and there is no question but what that is so. Under those circumstances, the extension of this law is of vital importance to the best interests of our country, and I hope my friend from Texas will not object to the consideration and the passage of the bill.

Mr. PATMAN. On the basis of the statement made by the gentleman from Massachusetts, I think it would probably be justified in view of the fact that we are in a national emergency, and being in a national emergency, the President of the United States has asked for the passage of this bill, and I assume we should let it pass without objection.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 2 of the act of January 12, 1951 (64 Stat. 1257), as amended, is further amended by striking out "1955" and inserting in lieu thereof "1957."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMEND SECTION 7 OF THE ACT APPROVED SEPTEMBER 22, 1922

The Clerk called the bill (H. R. 4426) to amend section 7 of the act approved September 22, 1922, as amended.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 7 of the act approved September 22, 1922 (Public Law 362, 67th Cong.), as amended by section 203 of the act approved May 17, 1950 (Public Law 516, 81st Cong.), is amended to read as follows:

"That hereafter the provisions of section 7 of the act of August 23, 1912, as amended (37 Stat. 414; 54 Stat. 175; 31 U. S. C. 679), or any other law prohibiting the expenditure of public money for telephone services installed in private residences, shall not be construed to apply to or forbid the installation and use of such telephones as may be necessary for the prosecution of Government business in connection with the construction and operation of locks and dams for navigation, flood control, and related water uses, under such regulations as may be prescribed by the Secretary of the Army on the recommendation of the Chief of Engineers. Not more than $30,000 shall be expended for such telephone services in any 1 fiscal year."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CELEBRATING THE 200TH ANNIVERSARY OF THE ACADIAN MIGRATION

The Clerk called the resolution (H. Con. Res. 50) commemorating the 200th anniversary of the migration of the Acadians from Nova Scotia to Louisiana and other areas.

There being no objection, the Clerk read the resolution, as follows:

Whereas this year marks the 200th anniversary of the migration of the Acadians from Nova Scotia and their journey to find refuge and haven in Louisiana and other areas; and

Whereas this exodus, immortalized in Longfellow's poem Evangeline, parallels the landing of the Pilgrims in America and their quest for freedom, independence, and the pursuit of happiness; and

Whereas the original Acadian settlers vigorously participated in the early development of Louisiana, and they and their descendants have contributed in full measure to the history, culture, character, and way of life of the people of that great State: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That the Congress of the United States joins the people of Louisiana in commemorating the bicentennial anniversary of the migration of the Acadians from Nova Scotia to Louisiana and other areas, and pays tribute to their spirit of courage, perseverance, and loyalty that has inspired the Nation.

SEC. 2. A copy of this resolution, suitably engrossed and duly authenticated shall be transmitted to the Acadian Bicentennial Celebration Association.

The resolution was agreed to; and a motion to reconsider was laid on the table.

The SPEAKER. That concludes all the eligible bills on the calendar.

FORT POINT CHANNEL AND SOUTH BAY

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 1816) to declare the tidewaters in the waterway—in which is located Fort Point Channel and South Bay—above the easterly side of the highway bridge over Fort Point Channel at Dorchester Avenue in the city of Boston nonnavigable tidewaters.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

Mr. MARTIN. Mr. Speaker, reserving the right to object, and I shall not object, because I understand this is a request from the State officials of Massachusetts and the bill comes out of committee with no opposition.

Mr. McCORMACK. That is correct. It was unanimously reported out by the Committee on Interstate and Foreign Commerce. It was requested by the Commonwealth of Massachusetts through the commissioner of public works, Mr. Volpe, and also by Mayor Hynes, of Boston. This area is in my district, and the bill is designed to declare a certain area of water up there nonnavigable for the purpose of filling it in.

Mr. MARTIN. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The Clerk read the bill as follows:

Be it enacted, etc., That the portion of the tidewaters in the waterway in which is located Fort Point Channel and South Bay in the city of Boston, Mass., lying above the easterly side of the highway bridge over Fort Point Channel at Dorchester Avenue in the city of Boston is hereby declared to be a nonnavigable water of the United States within the meaning of the Constitution and laws of the United States.

SEC. 2. The right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

THE LATE HONORABLE JOHN E. NELSON

The SPEAKER. The Chair recognizes the gentleman from Maine [Mr. NELSON].

Mr. NELSON. Mr. Speaker, it is with immeasurable sadness that I must inform the House of the death on Monday last of a former Representative from the district I now represent, the Honor-

Public Law 25 - 84th Congress
Chapter 27 - 1st Session
S. 752

AN ACT

All 69 Stat. 44.

To amend section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954, so as to eliminate the requirement that privately owned stocks exported thereunder be replaced from Commodity Credit Corporation stocks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102 (a) of the Agricultural Trade Development and Assistance Act of 1954 is amended to read as follows:

Surplus agricultural commodities. 68 Stat. 455. 7 USC 1702.

"Sec. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder, the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic exporters surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended. The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks."

Availability.

Funds for export, etc.

63 Stat. 1055. 7 USC 1427. 7 USC 1741.

Approved April 25, 1955.

GPO 55139